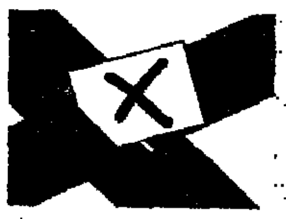
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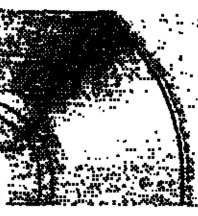
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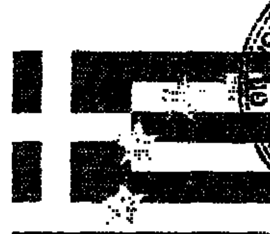
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FINANCIAL TIMES

Europe's Business Newspaper | TUESDAY OCTOBER 11 1994 | D8523A

Cédras quits as Haitian leader and accepts exile

Lt General Raoul Cédras (left) resigned as head of Haiti's military government and said he would leave the country. His decision paves the way for the return of President Jean-Bertrand Aristide, the man he overthrew in a bloody coup in 1991. Mr Aristide's supporters took to the streets of the capital Port-au-Prince to celebrate, forcing the US military to protect the departing leader and his family. There was no announcement of which country might give refuge to him, but US embassy officials mentioned Panama, Argentina and Spain as possible destinations. Page 18

JP Morgan to open its 'black box': US investment bank JP Morgan is to open up a central component of its "black box", its internal system for measuring financial risks, to customers, potential customers and rivals. The aim is to foster greater stability in markets for derivatives – instruments such as swaps, futures and options. Page 19; JP Morgan offers free use of its toolbox, Page 21

Lufthansa signs deal with Thai Airways: Lufthansa, newly-privatised German airline, signed a cargo and passenger freight deal with Thai Airways International and expects profits to benefit from next year. Page 19

US researchers win Nobel Prize: Alfred Gilman and Martin Rodbell, US researchers who opened up knowledge of how the human body's cells can prevent or encourage disease, won the Nobel Prize for Medicine. Page 2

South Africa and EU agree on closer ties: South Africa and the European Union signed a co-operation agreement laying the foundation for closer political and economic ties. Page 6

Employers pre-empt IG Metall's pay claim: Germany's engineering employers called for a planned 35-hour-week in the industry to be renegotiated as part of a package to save jobs and cut costs. The move came on the eve of the annual wage demand from IG Metall, the engineering workers' union. Page 18

London may scale-down response to IRA: The British government is considering a scaled-down response to the IRA ceasefire in Northern Ireland amid acknowledgement among senior ministers that it may never be given an unequivocal pledge that it is permanent. Page 9

Kone to buy US lift business: Kone of Finland, the world's third largest elevators group, is to buy Montgomery Elevator of the US for $280m in a substantial expansion of its North American business. Page 19

Lucas faces doubled charges: Extensive restructuring by Lucas Industries will cost the UK automotive and aerospace components group £214m ($338m) in exceptional charges, double previous forecasts. Page 19; Lex, Page 18

Daewoo to sell cars direct: Daewoo, Korea's second biggest carmaker, is to eliminate independent dealers to sell its cars direct in the UK from its own sites. Page 9

Clinton Cards buys shops from Hallmark: Clinton Cards added 86 shops to its UK chain of 277 greeting card and gift stores in a £3.5m ($5.5m) purchase from its principal card supplier Hallmark, UK arm of the US group. Page 28

Outokumpu ahead: Finnish mining and metals group Outokumpu reported pre-tax profits of FM557m ($117.6m) for the first eight months, up from from FM130m in the same period of 1993, because of foreign exchange gains and reduced financial costs. Page 21

Eko Stahl granted DM1bn aid: Germany's Treuhand privatisation agency is to provide more than DM1bn ($600m) in subsidies and investments to Eko Stahl, eastern Germany's largest steelmaker. Page 2

Algoma Steel to recapitalise: Algoma Steel, Canadian producer of sheet, tube and plate steel, saved from collapse in mid-1992 at the height of the recession and now solidly profitable, plans to recapitalise to pave the way for a C$500m (US$373m) investment programme. Page 23

Drug success claimed in fight to slow MS: Multiple sclerosis victims may be able to obtain, by 1996, a drug that drastically slows the progress of the disease. Page 7

■ STOCK MARKET INDICES

FT-SE 100	3,032.3	(+33.6)
Yield	4.17	
FT-SE Eurotrack 100	1,317.39	(+29.40)
FT-SE-A All-Share	1,508.46	(+1.0%)
Nikkei	(closed)	
New York lunchtime:		
Dow Jones Ind Ave	3,818.65	(+13.12)
S&P Composite	467.94	(+2.84)

■ US LUNCHTIME RATES

Federal Funds:	(closed)	(4¾%)
3-mo Treas Bills: Yld	(closed)	(5.019%)
Long Bond	(closed)	(95¾)
Yield	(closed)	(7.907%)

■ LONDON MONEY

3-mo Interbank	5 13/16%	(6%)
Liffe long gilt future:	Dec 100 1/2	(Dec 99 13/32)

■ NORTH SEA OIL (Argus)

Brent 15-day (Nov)	$ 16.94	(17.21)

■ Gold

New York Comex (Dec)	$393.4	(393.8)
London	$390.5	(392.7)

■ STERLING

New York lunchtime:		
$	1.58595	
London:		
$	1.5862	(1.5905)
DM	2.4569	(2.4511)
FFr	8.3937	(8.3767)
SFr	2.036	(2.0318)
Y	158.514	(158.403)
£ Index	80.3	(same)

■ DOLLAR

New York lunchtime:		
DM	1.5455	
FFr	5.295	
SFr	1.28185	
Y	100.335	
London:		
DM	1.55	(1.5411)
FFr	5.2952	(5.2689)
SFr	1.2838	(1.2775)
Y	100.83	(100.225)
$ Index	62.4	(62.2)

Tokyo close Y (closed)

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft135	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lev40.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira60	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr 20	Jordan	JD1.50	Philippines	Peso50	Syria	S£50.00
Finland	FM14	Kuwait	Fils625	Poland	Zl 38,000	Tunisia	Din1.500
France	FFr8.50	Lebanon	US$1.50	Portugal (m'land)	Esc225	Turkey	L30000
Germany	DM2.80	Lux	LFr65			UAE	Dh12.00

Baghdad under growing international pressure to pull back from border

US troops flood into Kuwait as Iraq hints at withdrawal

By Mark Nicholson in Cairo, Robin Allen in Kuwait and David Lascelles in London

US ground troops began pouring into Kuwait yesterday to defend the Gulf state against a possible Iraqi attack as Baghdad hinted it may be seeking to ease tensions by moving troops away from the the border area.

A DC-10 aircraft disgorged the first 300 troops of an eventual 36,000-strong US ground force bound for Kuwait. Another 200 military jets and the USS George Washington aircraft carrier group moved into the region in the biggest US deployment in the Middle East since the 1990 Iraqi invasion of Kuwait.

But amid rising international calls for Baghdad to reverse its deployment of troops on the Iraqi border, Mr Nizar Hamdoon, Iraq's representative at the UN, said his government had decided to move troops northwards from their positions around the southern city of Basra.

"The troops are already on the move," Mr Hamdoon said late yesterday. The US Defence Department last night said it had no confirmation of any withdrawal. Officials in Washington said they were watching the situation with caution.

Strong US support for Clinton over Gulf stand ....Page 5
Saddam returns to centre stage ....Page 17

UN and Kuwaiti officials, meanwhile, reported the Kuwait-Iraq border to be calm.

However, UN observers in the 15km demilitarised zone that straddles the frontier said thousands of people from the Iraqi side continued to assemble just north of the zone in a "tent city". Iraq claims they are stateless Arabs, displaced from Kuwait during the Gulf war.

Kuwaiti officials yesterday took journalists on a tour designed to demonstrate the army's readiness to repel any attacks.

Mr William Perry, US defence secretary, said that, by yesterday, Iraq had deployed, or was moving, up to 80,000 troops near the Kuwait border. "We believe there are two Republican Guard divisions either already at the border or nearly there, and a third one, which is in the northern part of the country, is on the move now, and we expect it will be going to the border as well."

The Iraqi deployment was apparently designed to press the UN Security Council into considering an immediate lifting of the four-year-old oil embargo which has pushed Iraq into a grave economic crisis.

Iraqi officials last week said they hoped the Council's consideration of a report this week by Mr Rolf Ekeus, the UN special envoy, would lead to the start of a programme to monitor Iraq's weapons industry. They threatened unspecified "measures" unless this review also led to an easing of sanctions.

UN diplomats in New York said the Security Council would consider Mr Ekeus's report later this week, and that the UN had not been intending to take any positive moves towards easing sanctions.

Diplomats said the Iraqi troop deployment had made such a relaxation impossible for France, Russia, China and other Security Council members previously sympathetic to Iraq's case. "It has been very counter-productive for the Iraqis," said one western official.

Western diplomats also said there were no signs of Iraqi officials seeking negotiations to defuse the tensions on the Iraq-Kuwait border. However, Mr

Continued on Page 18

Sign of victory: A Kuwaiti soldier on top of a tank yesterday near the Iraqi border. Up to 36,000 US troops are due in the region soon Reuter

EU ministers agree Maastricht deficit cuts

By David Gardner in Luxembourg

EU finance ministers yesterday agreed on recommendations to reduce their budget deficits to comply with the Maastricht treaty criteria on economic and monetary union.

The ministers, meeting in Luxembourg, also appear to have averted an EU crisis by pressing Italy to agree on ratification of a planned increase in the Union budget next year. Without this increase, Spain had said it would not ratify an EU enlargement plan to bring in Austria, Sweden, Finland and Norway in January.

Mr Kenneth Clarke, UK chancellor of the exchequer, resisted any suggestion that he would be unable to make tax cuts because of the recommendations from the European Commission, which apply to all member states except Ireland and Italy.

With an eye on this week's conference of the ruling Conservative party, he said "we will make real tax cuts when we have reached a satisfactory position in public finances".

France won a token victory in deferring formal adoption of so-called "excessive deficits" recommendations, after Mr Phillipe Séguin, the anti-Maastricht Gaullist president of the National Assembly, demanded that the European parliament should be consulted first.

Mr Theo Waigel, finance minister of Germany, current holder of the EU presidency, met his French counterpart Mr Edmond Alphandéry before yesterday's meeting to agree on a formula to accommodate sensitivities in France and elsewhere. The deficits decision will now go through another EU council, probably of agriculture ministers on October 24, without further discussion.

"Everything has been agreed," Mr Waigel said, indicating French pressure had won a cosmetic postponement. Mr Alphandéry insisted "France will always have the opportunity to amend the recommendations," although this is not foreseen by Maastricht, senior EU officials said.

The recommendations urge member states to stick to the European monetary union convergence and deficit-cutting plans they originally presented to their colleagues.

Italy, one of the most indebted member states, was urged to return to its original target of stabilising its government's ratio of debt to gross domestic product in 1995, instead of the new target of 1996 adopted by the Berlusconi administration, in the light of economic recovery.

Most countries are expected to publish the recommendations, but Mr Lamberto Dini, the Italian finance minister, said this decision would be taken by the cabinet. If member states take no action on the recommendations, the EU can publish the fact.

Mr Waigel said he expected the Italian opposition to the EU budget rise to be resolved within weeks. Italy has held up ratification of the rise in the hope of being pardoned a large part of its EU fines for cheating on its milk quota.

An EU official said the likely compromise would probably lower Italy's fine of over Ecu3bn ($3.72bn), which the Commission has sought to halve. The UK is challenging this reduction in the European Court but, as part of the deal, would drop its case.

Paper company sets S Africa record with $1.6bn US deal

By Mark Suzman in Johannesburg and Tony Jackson in New York

Sappi, the South African paper company, is paying $1.6bn for S.D. Warren, a subsidiary of Scott Paper of the US, in the biggest international acquisition yet undertaken by a South African company.

The deal is the second big acquisition by a South African company since the country's April elections and follows mining house Gencor's $1.3bn purchase of Billiton from Shell in July.

Sappi is buying Warren, which Scott put up for sale in May, in partnership with US merchant banker Donaldson, Lufkind & Jenrette and UBS Capital, a US subsidiary of Union Bank of Switzerland. Sappi will have 70 per cent of Warren's equity.

The acquisition lifts Sappi into the front rank of world papermakers. Warren claims 27 per cent of the US market in coated woodfree papers, used for glossy publications such as magazines. Sappi will become the world's largest producer of coated woodfree paper, with a claimed 15 per cent global share.

Scott's sale of Warren, which accounts for 25 per cent of its turnover, is part of a sweeping reorganisation announced in the summer by Mr Al Dunlap, the company's aggressive new chairman. Scott aims to concentrate on its paper tissue business, in which it is the world leader.

Sappi is South Africa's largest paper company, with 50 per cent of the local market, and already has widespread international interests, including five paper mills in the United Kingdom, and Hannover Papier in Germany, which was purchased in 1990.

As a means of avoiding South African exchange control regulations, the deal will be financed entirely offshore, with Sappi raising debt outside South Africa and securing it on its European assets. Sappi will put up $250m, of equity, DLJ $125m and UBS $25m. The rest of the purchase price will come through a mixture of debt and junk bonds.

Mr Basil Anderson, Scott's chief financial officer, said part of the proceeds would be used to pay down Scott's $2.3bn of debt. Scott would also buy back "a fair amount" of its own shares, he said, adding that the company planned further unspecified asset sales. He said the Warren disposal would reduce Scott's previously announced capital investment of $900m over the next two years by about $200m.

Last year, Warren made pre-tax profits of about $80m on sales of $1.2bn. In its peak year of 1989 it made $253m.

The final bidding for Warren is understood to have come down to a handful of international paper companies, among them the Anglo-French paper maker Arjo Wiggins Appleton in conjunction with a partner. This was an apparent reversal of policy for Arjo, which had previously denied it was interested in the whole of Warren.

Sappi said it had been helped in the bidding by the fact that US antitrust laws had ruled out a number of big US papermakers. It is understood that several, including International Paper and Union Camp, dropped out at an early stage.

Lex, Page 18

Continuing decline of rouble hits government credibility

By John Thornhill in Moscow

The rouble fell a further 6 per cent against the dollar yesterday, crashing through the 3,000 barrier on fears of rising inflation and deteriorating government finances.

The government reacted calmly to the fall to 3,081 from Friday's close of 2,896, and traders said there was no intervention by the central bank. Markets are awaiting the outcome of ministerial negotiations on the Russian budget, expected to be presented to parliament during the present session.

Mr Victor Gerashchenko, the central bank chairman, said there were still sufficient reserves to control the currency's fluctuations, even though the bank had spent $2bn in the past few months to support the rouble.

But a bank spokesman yesterday blamed the rouble's fall, which has been accelerating over the year, on speculative trading, and said reserves would not be wasted on fruitless intervention.

While the turmoil in the currency market was not expected to end the economic reform process it will make it more difficult and expensive for the government to raise money in the Russian Treasury bill market, which will be much on the government's mind as it finalises the 1995 budget.

Over the weekend, ministers flew to the holiday home of Mr Victor Chernomyrdin, the prime minister, at the Black Sea resort of Sochi to try to settle the outstanding issues.

Currency traders said the inaction of the bank and the lack of a government policy statement were exacerbating the situation. "We expect the devaluation to continue – possibly to 3,300 to the dollar this week – unless some drastic measures are taken by the government," one trader said.

The lower rouble may provide temporary relief to Russian industry, in particular the energy sector, with hard currency earnings of oil and gas companies worth considerably

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Sights are set on role in government, writes **Michael Lindemann**

German Greens leader goes for broke

GERMAN ELECTIONS
October 16

Mr Joschka Fischer, once a 1968 revolutionary, then a taxi driver and now environment minister in the German state of Hesse, leans across the table after a long day and an exhausting evening on the hustings: "If we don't make it this time, then I'm stepping down. I've had enough."

Mr Fischer is the leading star of the left-wing Greens, Germany's main environmental party. His impassioned performances and his pleas to party colleagues to be serious about government have more than anything else coloured the Green election campaign this year.

It is the first time the party has looked not just for a place on the opposition benches, but to become part of a future ruling coalition.

To show how serious he is, Mr Fischer even came to Oggersheim, Chancellor Helmut Kohl's home town on the river Rhine to address a town hall so full that latecomers were refused entry.

His powers of persuasion have helped change the fortunes of his party, which managed to win only 3.8 per cent of the vote in the federal elections four years ago, losing all its seats in parliament.

In the latest polls, the party has been scoring between 7 and 8 per cent. It has also since recovered a presence in the federal parliament by teaming up with Bündnis 90, the dissidents who helped topple the former East German regime, but the setback for the western Greens taught them some important lessons.

First, Mr Fischer's "realistic" wing of the party – the Realos – who always wanted power to implement their policies, overcame the "fundamentalists", or Fundis, who were more concerned with the purity of their ideas.

The once motley collection of protesters has given way to a more experienced and older collection of parliamentarians, local politicians and academics. They have almost become part of the establishment. They could well become the third force in German politics, instead of the Free Democratic party (FDP), for decades the junior partner in Bonn coalition governments.

The Greens are part of a coalition government in the northern city state of Bremen, shared power with the Social Democratic party (SPD) in Lower Saxony until earlier this year, and are still a vociferous partner in coalition with the SPD in the state of Hesse.

But for all their polished new image the Greens still like to shock: earlier this year the party demanded the abolition of the German army, German withdrawal from Nato, and abolition of the Nato alliance. All of those have horrified the SPD, the Greens' natural coalition partner in Bonn, and given welcome election ammunition to the government.

But as the election campaign has picked up speed, leading Greens have been at pains to play down their more wayward plans, and insist that most things are up for negotiation.

The only sacred cows in the coalition talks are an end to nuclear energy, the introduction of speed limits on Germany's overcrowded motorways and a new tax structure which would reflect the environmental costs of production.

"What we need most of all is a change of direction," says Mr Ludger Volmer, joint spokesman for the party, referring to the new taxes. "If it becomes clear that there is no change of direction there won't be a coalition with us."

But despite the new dynamism, helped along by popular candidates, the party senses that it may still stumble at the last fence. "We are just not quite sure," as one long-time Green adviser puts it.

The Greens know their core electorate stands at just 4 per cent, 1 per cent short of the threshold needed to get seats in the Bundestag.

Opinion polls ahead of previous federal elections have suggested Green support was markedly higher than it turned out to be on the day. Voters seem to trust them as a potential member of government at the state level, but not for Bonn.

One setback has been the party's performance in eastern Germany. Despite the environmental scars left by the former regime, the Greens have been unable to mobilise voters there, admitting that for most people worries about the region's ecology come second to more bread-and-butter concerns like getting a job.

Instead the Greens have been seeking to woo the better-off, middle-class voters who have traditionally backed the FDP. The small Liberal party is in real danger of losing its parliamentary seats, after years of being in government with either the conservative Christian Democrats and the left-of-centre SPD.

As far as the Greens are concerned, however, the shift to the political centre has cost the party the support of some of its more traditional radical voters.

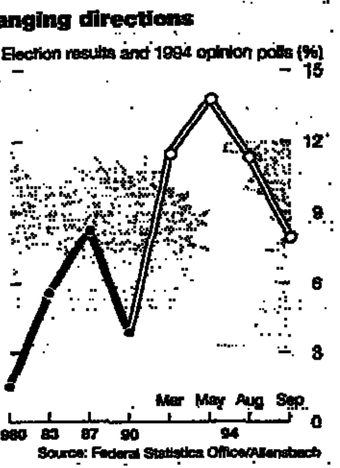
Germans who supported the party because of what they call its "instinctive radicalism" now heckle Green politicians on the hustings and vow they will back the Party of Democratic Socialism (PDS), the follow-on to the former East German communist party.

Threats like that do not impress Mr Fischer, who argues that the party has moved on from mere protest voting.

"People who vote PDS may annoy Kohl," Mr Fischer said. "We are fighting for a majority to get rid of him altogether."

The German Greens: changing directions

Leading figure Joschka Fischer



Source: Federal Statistics Office/Allensbach

The motley collection of protesters has given way to experienced politicians who have almost become a part of the establishment

Italian PM in pledge on Fininvest

By Robert Graham in Rome

Mr Silvio Berlusconi, the Italian prime minister, yesterday pledged a speedy introduction of legislation to prevent a conflict of interest with his ownership of Fininvest, Italy's second largest private business group.

The promise came in the wake of the weekend publication of a report by three jurists, commissioned by Mr Berlusconi in May, recommending a conflict of interest law.

Mr Berlusconi hinted he was not entirely happy with the report's recommendations. "It seems to me the solution found is tough and inflexible, more inflexible than in other countries," he said.

The jurists said Mr Berlusconi could not to be forced to divest ownership of Fininvest; but he would have to consider voluntary divestiture or the appointment of a trustee to control the group while he held office.

By committing himself to early legislation, Mr Berlusconi appeared anxious to resolve the conflict of interest issue. Since becoming prime minister five months ago, he has come up against many problems arising from his ownership of an empire which spans television, films, publishing, chain stores and financial services.

As debate on the report began yesterday in the senate, members of the right-wing coalition government were arguing on the need for a prior agreement on the legislation. This would ensure a smooth and speedy parliamentary passage – providing the populist Northern League co-operated. The League has been mild in its comments on the report despite the threats of Mr Umberto Bossi, the leader, that he would cause difficulties over the conflict of interest.

However, the opposition voiced concern over the lack of provision in the proposals for independent monitoring of abuses. The two bodies nominated in the report – the anti-trust authority and the media watch-dog commission – are both controlled by parliament.

Aid to Eko Stahl will exceed DM1bn

By Judy Dempsey in Berlin

Germany's Treuhand privatisation agency yesterday confirmed it would grant more than DM1bn ($600m) in subsidies and investments to Eko Stahl, eastern Germany's largest steelmaker, in a deal which amounts to one of the largest single rescue packages for an east German company.

However, officials from the Treuhand and from Cockerill-Sambre, the Belgian steel producers that have bought a 60 per cent stake in Eko Stahl, said they expected the European Commission to question, if not block, the subsidies.

"Everything now hangs on Brussels," a Cockerill official said, adding that the company expect to take over Eko Stahl next January. The remaining 40 per cent will be held by the agency.

The Treuhand's rescue package has two elements: investment grants and financial assistance to cover current and future losses. The agency will provide investments and subsidies totalling DM275m, while a further DM385m will be provided by the federal government and Brandenburg state, where the mill is located.

In addition the Treuhand has agreed to pick up losses of over DM220m which will occur between 1995 and 1997. It will also provide an extra DM480m for compensating losses made by Eko Stahl when its markets in eastern Europe and the former Soviet Union collapsed after German unification in 1990.

Eko Stahl is expected to have a turnover of DM1bn this year on losses of more than DM100m. A further DM39m will be allocated to the local infrastructure.

The Treuhand drew up the final subsidy and investment package at the weekend after Cockerill agreed to invest DM440m in modernising Eko Stahl's existing blast furnace and building a new hot-rolling mill. Cockerill will also guarantee about 2,300 jobs.

Eko Stahl currently employs more than 2,900 people, nearly a quarter fourth less than in 1990.

About 200 employees aged 54 years and over are already being offered redundancy payments, which will be worth 80 per cent of their monthly income and will be paid out until they reach the pensionable age of 60.

No decision has yet been reached about the remaining 400 employees.

Sarajevo digs in for third winter of suffering

Cold weather has come early to Bosnia. The first blanket of snow on the high land around Sarajevo signals the start of a third winter of suffering for the 340,000 people trapped in the besieged capital.

As the war rumbles on around the city, its residents continue to be threatened by sniper fire and a shortage of food and other supplies. Most have become anaesthetised to the continuing diplomatic and military efforts. Hopes raised for a settlement have too often been dashed by the turn of events.

Instead, the word "survival" is on everyone's lips as they try to prepare for the difficult months ahead. "What more can we do but survive and smile," asked Mrs Amela Kurtovic, who has lost three of her family since the start of the war.

Mr Radovan Karadzic, the Bosnian Serb leader, has vowed to strangle Sarajevo unless peace can be agreed on his terms. His troops have surrounded the city since April 1992 and they continue to block United Nations aid convoys when it suits them. Last weekend, the UN resumed aid flights after a two-week stoppage, forced by the Bosnian Serbs, during which food reserves became dangerously low. Sarajevo's mayor, Mr Tareq Kupusovic, said the city had only two days of reserves and feared that "if the airport is closed again before the city has time to build up its reserves there will be a crisis".

In an attempt to regain some kind of self-sufficiency, many Sarajevans have planted small allotments throughout the city. Cabbages, carrots and potatoes grow in what used to be the 1984 Winter Olympics village, only a few hundred metres from the front line. A screen of overturned cars and buses helps protect gardeners from Serb snipers.

Nearby, the city's cigarette factory, which produces a few thousand Drina cigarettes a day from stock left from before the war, has moved its machinery underground so that production continues whatever conditions on the streets.

While the UN protects and feeds the city, Sarajevo's civic administration tries to provide a range of services from public transport and utilities to a planned reconstruction programme. A rather shaky local tax structure was introduced at the end of August which levies up to 40 per cent income tax on commercial enterprises. But revenues are so low that most of the 300 people working in the city hall are paid in packets of Drinas.

Survival is the watchword of all in the city, writes **James Whittington**

This barely sustainable economic situation is made worse by the constant threat to life. Nearly nine months after Nato forced the Bosnian Serbs into signing a ceasefire agreement to remove heavy weapons from a 12-mile zone around the city, people are still being killed almost daily. On Saturday, one person was killed and 11 wounded in a sniper attack on a tram in the city centre. This brought civilian casualties since April, 1992 to 10,078 dead and around 58,500 wounded.

As a result, cars and UN vehicles drive at breakneck speeds and pedestrians half run to avoid being exposed to the sniper's sights for too long. "The place feels like a concentration camp," says Mrs Ullsija Dzubur who works at the city hall. "We know we could be killed at any time."

Asking the people of Sarajevo how much longer they think the situation can last elicits only shrugs and sighs. The future reaches only to the next few days. However, Lt-Gen Sir Michael Rose, UN commander in Bosnia, is cautiously optimistic that the policy of isolating the Bosnian Serbs from their former masters in Serbia could end the impasse.

President Slobodan Milosovic of Serbia cut off nearly all military and economic supplies to the Bosnian Serbs in early August when Mr Karadzic rejected the peace plan drawn up the the international contact group. "The isolation policy of the contact group is working.... but we must be careful not to make them feel cornered," he warns.

In the meantime his job is to keep aid flowing. Yesterday, he met Gen Ratko Mladic, head of the Bosnian Serb army, to try to obtain assurances that supply routes would stay open. But, while Sarajevo remains under siege – Mr Karadzic's most important bargaining chip – this is by no means guaranteed.

EU roadblock on Greek infrastructure plans

Commission holds back funding until Athens can convince it that the money will be wisely spent, write **Kerin Hope** and **Peter Marsh**

The six-lane highway that shrinks abruptly into a country lane is both a familiar feature of the Greek landscape and an unpleasant reminder of the financial and administrative muddle that hinders successive governments' attempts at infrastructure improvement.

Things were supposed to change with the launch this year of the European Union's new structural package, intended to help poorer member states like Greece move towards the Maastricht targets for economic convergence.

However, the European Commission has placed a temporary block on disbursement of Ecu4bn (£3.14bn) of Greece's share of the funding, which amounts to Ecu14bn by the year 2000. The block covers nine large programmes for motorways, ports and other transport projects.

A Commission official said Greece's public works ministry had failed to convince Brussels that it had implemented reforms needed to ensure the money would be wisely spent.

These include modernisation of costing procedures, improved efficiency and the establishment of special independent agencies to manage large and complex projects.

The funding delay is worrying Greece's economic planners as the EU package is seen as crucial to stimulating economic recovery after three years in which growth in gross domestic product has stagnated at around 1 per cent.

Among the projects due to get under way by the end of 1994 are an Ecu450m suspension bridge across the Corinth Gulf, a Dr120bn underground railways for the northern Greek city of Thessaloniki and a $1.6bn new airport for Athens. All had been stuck at the planning stage for more than a decade, mainly because of chronic constraints on the public investment budget.

While the three projects contain an element of self-financing, they are also eligible for substantial EU grants as well as soft loans from the European Investment Bank.

The EU structural funds will also cover up to 80 per cent of the cost of completing the 600km Egnatia highway from Greece's western coast to the border with Turkey, as well as that of upgrading the 580km north-south highway from Athens to the Macedonian border to international motorway standard.

As a result of the Commission's block on the funding, only one contract of any size has been signed: an Ecu40.2m project for a British-Greek joint venture to build a seabed tunnel between the western Greek ports of Aktion and Preveza.

The Commission has also warned the government that its efforts to change the terms of the Athens airport project risk violating EU rules on tendering procedures. The project was awarded last year to Hochtief of Germany but no contract was signed. Meanwhile, the government has resumed negotiations with Societe Auxiliaire d'Entreprises de France, the losing bidder.

The Thessaloniki underground railway project is also in trouble. Macedonian Metro, a Greek-led consortium, challenged the public works ministry in court last month after its financing arrangements were rejected by a ministry committee as insecure.

To back their legal protest, consortium officials made public copies of letters from the EIB, the German state-owned development bank Kreditanstalt fur Wideraufbau (KFW) and Citibank, offering loans equivalent to more than Dr120bn (£320m).

The alarm had already been triggered in Brussels by a succession of bids from Greece's small and fiercely competitive construction companies for EU-financed highway and harbour contracts valued at more than Dr150bn. Some were offering discounts of up to 80 per cent of the tender price.

"Discounts are in order because of the ministry's old-fashioned costing procedures, which don't take account of the productivity of modern equipment," said a Greek banker. "But anything over 40 to 50 per cent suggests the company might not be able to fulfil the project specifications."

A public works ministry official said negotiations were under way with contractors to come up with "more realistic" offers to avoid the delay that would be caused by cancelling the tenders and calling for new bids.

The ministry said it had started to modernise costing procedures dating from the 1960s. It was also committed to improving efficiency by raising to Dr25bn the present Dr5bn limit on the value of a project that can be undertaken by a single Greek company.

"The ceiling has meant delays and poor quality construction, particularly in highway building, where small segments of a few kilometres each are parcelled out among different contractors," said an Athens-based financial consultant.

Yet Greece's problems with the Commission over the new funding package go deeper. Contractors and consultants agree the government's political commitment to reform is not in doubt, but note there is strong resistence among officials at the public works ministry to reducing their control over infrastructure projects.

The need for radical change is underlined by the ministry's lack of adequate expertise to handle technical studies for big construction projects in areas such as geological and environmental impact surveys.

Moreover, the Commission's determination to extract maximum value from the new funding package means there is increased pressure to improve controls on costs and ensure the quality of construction is effectively monitored.

However, the ministry has not yet agreed to the establishment of special agencies, to be staffed mainly from the private sector and other government departments, to manage large and complex projects on an independent basis. Among other things, these would contribute much-needed expertise on financing arrangements for partly self-financed projects.

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EUROPEAN NEWS DIGEST

Far right gains in Belgium

The extreme right made further inroads into the Belgian political scene over the weekend, with voters in Flanders, Wallonia and the Brussels region giving their support to anti-immigration parties in Sunday's communal elections. In Antwerp, the principal city of Belgium's Dutch-speaking Flanders region, the racist Flemish Nationalist party, Vlaams Blok, won 28 per cent of the vote, making it the city's leading political party. The National Front, the francophone extreme right, gained a foothold in the 19 communes of the country's capital Brussels, while in Wallonia, the French-speaking region, the big cities saw similar advances by the far right. In Liege they won four seats.

The communal elections, held every six years, focus mainly on local issues and as such will have little immediate impact on the fortunes of the federal governing coalition, led by Mr Jean-Luc Dehaene, the prime minister. However, the 589 communes play a key administrative role, providing services such as police, roads, public works and primary and secondary education. They also act as local administrators for services provided by the national government, the regional governments and the language communities in Belgium's multi-layered administrative structure. *Emma Tucker, Brussels*

Çiller predicts inflation fall

Turkish inflation should fall to 20 per cent by the end of the year, thanks to austerity measures taken in April, when inflation topped 100 per cent and the exchange rate collapsed, according to Mrs Tansu Çiller, prime minister (left). Commenting on the first six months of her emergency economic programme, she said foreign debt had shrunk by a tenth to $60bn, central bank reserves had doubled to $6.7bn and the current account had swung to a $1.1bn surplus between January and July from a $6.4bn deficit in 1993. Sharply curtailed public spending brought the budget deficit in the first seven months down to $586m, almost half the expected amount. Independent economists, however, criticise Mrs Çiller for failing to push a privatisation bill through parliament or reach agreement with the World Bank on public sector reform that would tackle Turkey's underlying economic problems. *John Barham, Ankara*

Nobel medicine prize awarded

The Nobel Prize for medicine was awarded yesterday to two Americans, Alfred Gilman and Martin Rodbell, for pioneering work on the role of proteins in human cell communication. Sweden's Karolinska Institute, which announced the SKr7m ($959,000) award, said the discovery of G-proteins and their links with the development of disease had been "of paramount importance" opening up a "new and rapidly expanding area of knowledge". The institute described the G-protein as a biological "traffic light" which regulates the body but can cause illness if it breaks down. "Many symptoms of disease are explained by an altered function of G-proteins," it said, citing cholera as a prime example. Mr Rodbell, 68, of the National Institute of Environmental Health Sciences in North Carolina, showed in the 1960s and 1970s how messages were carried between cells. His work was later developed by Mr Gilman, 53, currently chairman of the pharmacology department at the University of Texas, leading directly to the discovery of the first G-protein. *Christopher Brown-Humes, Stockholm.*

Russian help for Armenia

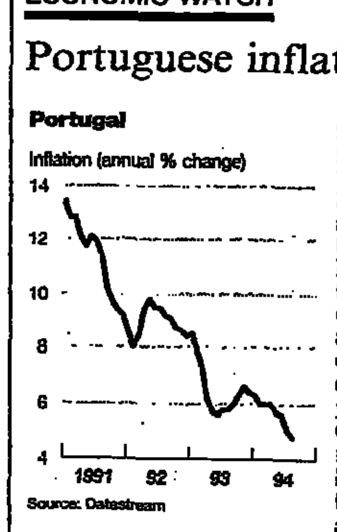
Russia has pledged Rbs110bn in aid credits to Armenia, more than half of which will be used for reactivating a nuclear power station, Russian news agencies reported yesterday. Mr Vladimir Shumeiko, speaker of the Russian parliament's upper house, announced the aid offer during an official visit to the former Soviet republic. He said Armenia needed the power station to combat "the acute shortage of electricity" which had hampered Armenia's industrial and economic development. Falling output, soaring prices and an economic blockade imposed by neighbouring Azerbaijan have pushed Armenia's living standards to among the lowest of all former Soviet republics since its independence in 1991. Leading opposition parties in Armenia, blaming President Levon Ter-Petrosian for the economic collapse, formed a political alliance on October 5 to call for the government's resignation and for early parliamentary and presidential elections. *AP, Yerevan*

Albania spurns Greek overture

Albania's President Sali Berisha yesterday rejected a Greek proposal for dialogue in exchange for the release of five ethnic Greeks convicted of espionage and illegal arms possession. "They are and will remain Albanian citizens, and we do not indulge in trade with our citizens," Mr Berisha said. Greece has offered negotiations on improving sour relations between the two countries on condition that Albania set the five free and allow them free passage to Greece. Last week, an appeals court reduced their jail sentences of 6-8 years by 1-2 years. Also last week, a terrorist organisation in northern Greece admitted being behind an attack earlier this year on an Albanian army centre that killed two soldiers. President Berisha said capture and punishment of the perpetrators would be welcomed by Albania. He also defended a draft constitution that would force the Greek head of Albania's Orthodox church to step down. Still to be approved, probably by referendum, it stipulates that heads of Albania's mainstream religious communities must be Albanian-born citizens who have lived there for the past 20 years. *AP, Tirana*

ECONOMIC WATCH

Portuguese inflation set to fall



Source: Datastream

Portugal's year-on-year inflation rate is forecast to fall to 4.5 per cent by December after reaching a 25-year low of 4.8 per cent in August, according to the central bank. Mr António Sampaio Melo, head of economic research, told foreign bankers in Oporto yesterday that average annual inflation was also expected to drop to 5.5 per cent from 6.5 per cent last year. Mr Fernando Faria de Oliveira, trade and tourism minister, said inflation would be less than 2.5 points higher than the European Union average by the end of 1994. Figures for September, to be officially announced later this week, would show a further drop compared with August. Average annual inflation in 1995 should be 3.5-4.5 per cent. *Peter Wise, Oporto*

■ Retail sales in Germany rose a nominal 2 per cent in August from a year earlier, although they edged just 1 per cent higher when adjusted for price changes, the Federal Statistics Office in Wiesbaden said. August sales rose 2 per cent in both nominal and real terms from July.

■ Norway's consumer price index in September rose 0.5 per cent from August, according to the country's central statistics bureau. This brings the September year-on-year inflation rate to 1.7 per cent.

Russia softens its stance on role of CSCE

By Virginia Marsh in Budapest

Russia yesterday appeared prepared to back down on its proposal to transform the Conference on Security and Co-operation in Europe into the continent's most powerful security structure.

Speaking at the opening of a two-month CSCE review conference in Budapest, Mr Yuri Ouchakov, the head of the Russian delegation, said the CSCE should be the "major moving force in European security" but that there was *no* need to set up a "hierarchical system".

Since May, Russian officials have proposed that the CSCE become Europe's top security organisation, subsuming Nato and the Commonwealth of Independent States. The strengthened organisation would be headed by a United Nations-style 10-nation steering committee and would mandate Nato or CIS forces to intervene in regional conflicts.

The idea to strengthen the CSCE followed Russian concerns that its influence in Europe was being undermined by Nato. Unlike other former communist states in eastern Europe, Russia has been given little hope by the west that it will eventually join Nato or the European Union.

However, the proposal to strengthen the 53-nation CSCE, which includes European and CIS countries, the US and Canada, has been rejected out of hand by western nations, including the UK and the US.

Mr Sam Brown, the US delegate, said Mr Ouchakov's statement showed flexibility on the part of the Russians and recognition that its proposals were not possible in the present situation. He said the US would welcome strengthening the CSCE, but it should remain one of a number of security structures. It was important the organisation continued to make decisions by consensus among all members rather than through a leading body.

The future role of the CSCE, which was set up under Russian proposals following the 1975 Helsinki conference, is expected to dominate the two-month conference which will end with a summit in December. The organisation, which has few permanent staff and a small budget, is credited with a significant role in ending the cold war but has since struggled to define itself or play a useful role in preventing conflicts.

Mr Brown said CSCE members were still far from reaching agreement over "peacekeeping" activities by member states. Russia is asking for a CSCE mandate to act as mediator and peacekeeper in disputes in former Soviet states.

Mr Brown said that if Russia wanted international approval for such activities it would have to be genuinely and independently invited to intervene in conflicts and its intervention would have to be for a limited duration and with clear goals. These conditions had not yet been accepted by the Russians, he said.

The US also welcomed statements by EU representatives that CSCE goals could be underpinned by greater economic co-operation between western Europe and former communist states in transition to a market economy.

He said the US had long recognised this principle as of "fundamental importance" for the future security of Europe.

Germany, speaking for the EU, also proposed strengthening the CSCE by suggesting members use its conflict-resolution mechanisms.

Romania showed off its military hardware yesterday, firing shells and rockets into the Black Sea against an imaginary enemy in an exercise for its old foes, Reuter reports from Cap Midia, Romania. Military observers from 11 western and Balkan countries, plus Nato, watched Romanian troops repel an amphibious attack. Romania was the first former Warsaw pact member to sign up for Nato's Partnership for Peace programme.

Walesa in clash over forces

By Christopher Bobinski in Warsaw

A tug of war between Poland's President Lech Walesa and the government over control of the armed forces broke into the open yesterday when Mr Walesa asked Mr Piotr Kolodziejczyk, defence minister, to resign.

The move came after Mr Kolodziejczyk opposed new draft laws which would bring the military under control of the general staff, answering directly to the president and sidelining the defence minister.

Spokesmen for the defence ministry said yesterday that Mr Kolodziejczyk was not ready to resign immediately and implied he was looking to Mr Waldemar Pawlak, the prime minister, to support him. Mr Kolodziejczyk is due to report today to the parliamentary defence committee called to review the situation.

Matters came to a head last week at Drawsko, in north-western Poland, where senior military commanders present at an annual training session openly criticised Mr Kolodziejczyk. The defence minister is a retired Warsaw Pact admiral and was once favoured by Mr Walesa.

It is commonly accepted that Mr Walesa, who attended the meeting, encouraged Mr Kolodziejczyk's critics at Drawsko to speak out. Yesterday, Mr Janusz Onyszkiewicz, a former defence minister and member of the opposition Freedom Union, called the meeting "an inexcusable attempt to bring the army into politics".

The incident marks the first time the military have been brought into the political arena since Polish democracy was restored five years ago.

Under Poland's present constitutional arrangement, the president has general responsibility for defence, internal and foreign affairs; his nominees head these three ministries. But all three formally answer to the prime minister and are cabinet members.

Austria given rude awakening

The rise of the far-right Freedom party will enliven political life, writes Ian Rodger

Austria faces a more robust, unpredictable political life following Sunday's national election result than it has known in the post-war period.

For the first time since 1945, the Social Democratic party (SPO) and conservative Austrian People's party (OVP) together won less than 80 per cent of the vote.

With slightly less than two-thirds of the seats in the new parliament, they can and will continue to govern, but no longer in the complacent, self-serving way they have in recent years.

There is inevitably a frisson of fear in the fact that the biggest winner from the ruling parties' losses is the extreme right-wing leader, Mr Jörg Haider, whose Freedom party now has almost as much support as the OVP.

But Austrian commentators of many persuasions yesterday agreed that the result was good for democracy.

Many suspected also that it reflected not just a transitory disenchantment among voters with the traditional parties, but rather an irreversible generational change in voter behaviour.

Older Austrians, who learned their politics during the post-war occupation period, have felt obliged to stick to the traditional parties through thick and thin. In the early days, when virtually every economic activity was state controlled, it was only through the parties that people got jobs and vital services, and they have understandably remained loyal.

But a younger generation of voters that grew up during the prosperous 1960s and 1970s does not understand, let alone feel, this "laager" mentality. The side by side existence of socialist and conservative health clubs and motor clubs and of compulsory employee and employer representative institutions is alien to them.

The careful balancing of socialist and conservative sympathisers in the boards of nationalised industries and banks seems bizarre, not to say inefficient.

"We have finally succeeded in putting post-war Austria behind us," Mr Haider exulted on Sunday night, and no one argued with him. Mr Haider, a lawyer and a former provincial governor of Carinthia, was the first politician to see and exploit the opportunity presented by this change.

Since taking control of the Freedom party in the mid-1980s, he has hammered relentlessly at every instance of outrageous patronage perpetrated by the socialists and conservatives and exposed cases of politicised bureaucrats receiving excessive salaries. A rebel by nature, he has also in an opportunist way championed every popular grievance, especially the swelling of immigration since the collapse of the Soviet empire.

Mr Haider's popularity has risen fairly steadily, but opponents assumed that it would reach a limit at around 20 per cent. At times, it has looked as if they were right, especially when he suffered embarrassments.

He has never quite lived down his outburst in a heated debate in the Carinthian legislature in June 1991 when he was goaded into praising the employment policies of Hitler's third reich. He failed to win much support for a petition drive in January 1992 to outlaw immigration and, after many changes of view on joining the European Union, he campaigned fruitlessly in last June's referendum campaign against it.

But he has always bounced back. His appeal comes from his willingness to say what many people think, with a boyish charm and convincing eloquence. Even moderate Austrians believe that his demands for reforming patronage-ridden corporatist institutions, for expelling immigrants caught committing serious crimes, and for limiting the number of non-German-speaking children in primary school classrooms are sensible.

Whether he can continue to build his power base with his raucous approach is questionable. It is hard to imagine how he can reach his long-stated goal of heading the government after the next election if he remains a purely opportunistic rebel.

Still, his strong position, plus the advance of two other opposition parties, the left leaning Greens and Liberal Forum, ensures that Austrian politics will be lively.

It will be more difficult for the coalition partners to agree on policies between themselves and to impose their will in parliament.

Unpopular public spending cuts, urgently needed to offset the costs of entering the European Union next year, will be difficult to achieve.

The OVP, hitherto a nearly powerless junior partner in the coalition, can now threaten to join forces with Mr Haider.

The coalition parties will face rising calls for the demolition or radical reform of many of their self-serving structures, but in doing so, they would risk offending their own supporters.

Some observers are predicting that the coalition will not last its full four-year term, but it is difficult to see how prospects for the SPO or the OVP will look any better in one or two years' time than in four.

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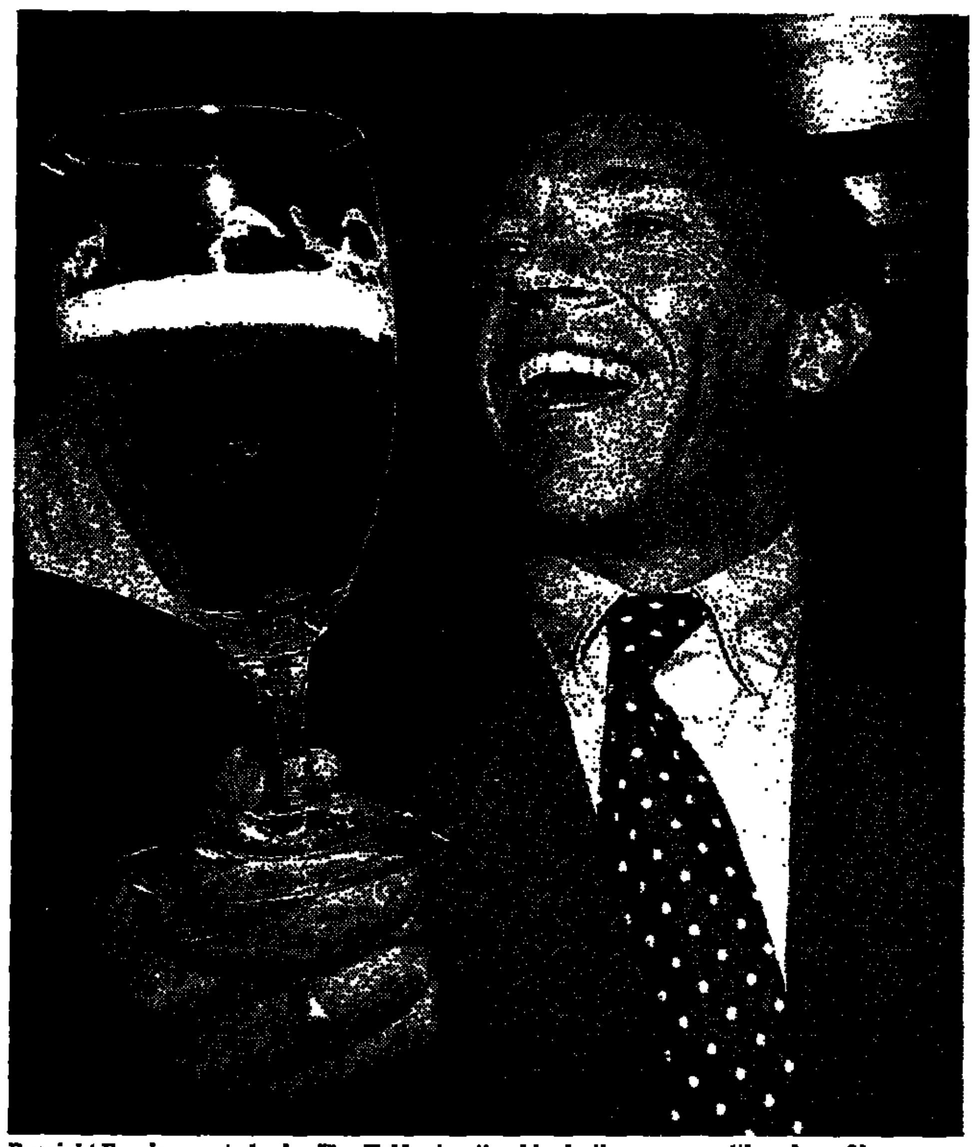


Far-right Freedom party leader Jörg Haider toasting his election success with a glass of beer. Reuter

Austrian Elections

Results*

Electorate: 5.8m
Turnout: 78%

	% vote	seats	(1990)
Social Democrats	35.2	66	(80)
People's party	27.9	52	(60)
Freedom party	22.6	42	(28)
Greens	7.0	13	(10)
Liberal Forum	5.7	10	(5)

*Official provisional results: Reuter

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

UNITED STATES

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	101.9	98.6	102.2	99.4	98.5
1987	105.6	100.7	103.8	96.7	80.2
1988	109.9	103.2	106.9	99.1	74.3
1989	115.2	108.5	110.0	101.1	77.3
1990	121.5	113.9	113.8	104.3	76.0
1991	126.6	116.3	117.3	107.8	77.0
1992	130.4	117.7	120.1	108.4	76.8
1993	134.3	119.2	123.4	107.7	78.6
4th qtr.1993	2.7	0.3	3.0	-1.7	78.0
1st qtr.1994	2.5	0.2	3.0	-1.0	78.5
2nd qtr.1994	2.4	-0.3	2.4	-2.3	78.5
3rd qtr.1994					78.3
October 1993	2.8	0.2	3.3	-1.5	77.8
November	2.7	0.4	2.5	-0.8	78.7
December	2.8	0.2	3.3	-2.7	78.9
January 1994	2.5	0.2	2.5	-1.1	79.3
February	2.5	0.2	3.3	-0.6	78.7
March	2.5	0.2	3.3	-1.3	78.4
April	2.4	-0.4	2.4	-1.6	78.3
May	2.3	-0.4	2.4	-2.7	78.1
June	2.5	0.0	2.4	-2.5	77.3
July	2.8	0.6	2.4	-2.8	75.9
August	2.9	1.9	2.4	-3.4	76.1
September					75.0

JAPAN

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	100.8	95.3	101.4	103.4	117.4
1987	101.2	92.5	103.1	100.6	120.9
1988	102.2	92.3	107.8	96.2	127.2
1989	104.9	94.2	114.0	96.1	118.5
1990	108.2	95.7	120.1	98.3	105.7
1991	111.8	96.8	124.2	101.8	112.2
1992	113.9	95.8	125.6	111.0	114.2
1993	115.3	94.3	125.8	116.9	130.3
4th qtr.1993	1.2	-2.1	-0.1	4.6	129.9
1st qtr.1994	1.4	-2.2	2.8	3.7	132.4
2nd qtr.1994	0.6	-2.0	4.9	0.0	135.9
3rd qtr.1994	-0.1				136.6
October 1993	1.3	-2.1	0.6	7.0	134.5
November	0.9	-2.1	1.7	3.4	134.2
December	1.3	-2.2	-1.1	3.4	131.6
January 1994	1.4	-2.1	4.5	3.4	130.2
February	1.4	-2.2	1.7	5.1	135.1
March	1.3	-2.3	2.3	2.6	135.4
April	0.8	-2.2	1.9	0.9	136.8
May	0.6	-2.0	0.9	0.0	136.1
June	0.5	-1.9	8.8	-0.9	135.5
July	-0.3	-1.8	-3.8		138.5
August	-0.1				135.5
September	0.1				135.5

GERMANY

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	99.9	97.5	103.8	103.8	109.7
1987	100.1	95.0	108.0	107.1	114.6
1988	101.4	96.2	113.0	106.9	113.2
1989	104.2	99.3	117.3	108.0	110.0
1990	107.0	101.0	123.8	110.3	114.2
1991	110.7	103.4	131.8	115.0	109.5
1992	115.1	104.9	138.6	121.5	112.6
1993	119.8	104.8		125.9	113.1
4th qtr.1993	3.7	-0.2	n.a.	-1.7	113.0
1st qtr.1994	3.3	0.2	n.a.	-2.6	111.9
2nd qtr.1994	3.0	0.3	n.a.		111.6
3rd qtr.1994	2.9		n.a.		112.5
October 1993	3.9	-0.2		0.2	114.0
November	3.6	-0.2		-2.3	112.1
December	3.7	-0.1		-2.9	111.5
January 1994	3.5	0.0		-0.6	109.7
February	3.4	0.2		-4.8	109.3
March	3.2	0.3		-2.5	110.5
April	3.1	0.1		-6.7	109.9
May	3.0	0.4		-6.3	110.9
June	3.0	0.4			111.5
July	2.9	0.4			112.9
August	3.0	0.7			113.1
September	2.9				112.8

FRANCE

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	102.5	97.2	104.5	101.5	104.5
1987	105.9	97.8	107.8	103.0	106.6
1988	108.8	102.8	111.1	104.0	103.7
1989	112.6	108.4	115.4	105.3	100.6
1990	116.5	107.1	120.6	109.3	105.5
1991	120.2	105.8	125.8	113.3	104.0
1992	123.1	104.0	130.3	115.8	107.9
1993	125.6	101.1	133.7	118.0	109.7
4th qtr.1993	2.1	-2.2	n.a.	0.0	111.3
1st qtr.1994	1.7	-1.5	n.a.		109.8
2nd qtr.1994	1.7	-0.1	n.a.		108.2
3rd qtr.1994			n.a.		107.6
October 1993	2.2	n.a.	-	n.a.	108.5
November	2.2	n.a.	-	n.a.	107.9
December	2.1	n.a.	2.2	n.a.	109.4
January 1994	1.9	n.a.	-	n.a.	108.2
February	1.8	n.a.	-	n.a.	107.8
March	1.5	n.a.	2.0	n.a.	109.0
April	1.7	n.a.	-	n.a.	107.6
May	1.6	n.a.	-	n.a.	108.6
June	1.6	n.a.	2.3	n.a.	109.4
July	1.7	n.a.	-	n.a.	109.7
August	1.7	n.a.	-	n.a.	109.9
September		n.a.		n.a.	109.7

ITALY

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	106.1	100.2	104.8	102.7	103.3
1987	111.0	103.2	111.6	105.6	105.1
1988	116.5	106.8	118.4	109.7	102.8
1989	124.2	113.1	125.6	112.3	105.4
1990	131.8	117.8	134.7	118.8	109.1
1991	140.3	121.7	147.9	131.3	108.3
1992	147.7	124.0	155.9	136.8	105.0
1993	153.9	128.7	161.2	139.4	89.4
4th qtr.1993	4.1	3.9	3.8	-1.4	90.9
1st qtr.1994	4.2	3.5	4.2		91.8
2nd qtr.1994	4.0	3.1	4.1		91.0
3rd qtr.1994	3.7				90.0
October 1993	4.3	4.1	3.9	n.a.	88.8
November	4.2	3.9	3.9	n.a.	87.4
December	4.0	3.7	3.6	n.a.	86.6
January 1994	4.2	3.5	4.0	n.a.	87.0
February	4.2	3.6	4.3	n.a.	87.3
March	4.2	3.2	4.5	n.a.	87.0
April	4.1	3.0	4.6	n.a.	89.5
May	4.0	3.2	4.6	n.a.	90.0
June	3.7	3.0	3.0	n.a.	89.1
July	3.6			n.a.	88.4
August	3.7			n.a.	87.3
September	3.9			n.a.	87.2

UNITED KINGDOM

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	103.4	101.4	107.7	104.1	95.7
1987	107.7	104.9	116.3	106.6	96.9
1988	113.0	108.7	126.2	109.5	104.4
1989	121.8	113.9	137.2	114.4	102.7
1990	133.3	121.0	150.1	122.7	105.0
1991	141.2	127.5	162.4	131.3	108.8
1992	146.4	131.5	173.1	133.9	105.9
1993	148.7	136.7	180.9	134.5	97.4
4th qtr.1993	1.5	3.9	3.9	1.4	97.3
1st qtr.1994	2.4	3.3	4.8	2.0	97.8
2nd qtr.1994	2.6	2.2	4.4	-0.1	98.2
3rd qtr.1994		2.2			98.8
October 1993	1.4	4.0	3.8	1.9	97.9
November	1.4	3.8	4.0	1.1	98.4
December	1.9	4.0	4.0	1.3	99.3
January 1994	2.5	3.7	4.8	1.7	101.1
February	2.4	3.4	4.4	1.8	99.6
March	2.3	2.8	5.3	2.4	99.1
April	2.6	2.2	4.7	0.6	98.5
May	2.5	2.1	4.3	0.6	98.5
June	2.6	2.1	4.3	-1.4	98.8
July	2.3	1.9	5.7	-0.9	97.7
August	2.4	2.3			97.4
September		2.4			97.7

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources, and by JP Morgan, New York. Consumer prices, not seasonally adjusted. Producer prices: not seasonally adjusted, US – finished goods, Japan – manufactured goods, Germany – industrial products, France – intermediate goods, Italy – total producer prices, UK – manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour costs: seasonally adjusted, measured in domestic currencies. Germany – mining and manufacturing, other countries – manufacturing industry. Real exchange rate. JP Morgan real effective exchange rate index versus 18 industrial country currencies, adjusted for change in relative wholesale price of domestic manufactures. A fall in the index indicates improved international competitiveness.

NEWS: INTERNATIONAL

Ivory Coast aspires to be an 'African elephant'

Devaluation has helped set the west African country on the road to recovery, writes Peter Weston

Ivory Coast's prime minister Daniel Kablan Duncan recently compared the west African country's good growth prospects to those of south-east Asia. "People talk a lot about the dragons of south east Asia," he said. "But I want Ivory Coast to become an African elephant."

His comments come after Ivory Coast's international competitiveness was restored in January by a 50 per cent devaluation of the CFA franc (the 13-nation west and central African common currency) against the French franc and follow a sharp rise in commodity prices.

Confidence is high that after nearly a decade of economic decline, recovery may not be far off. The government expects gross domestic product to increase by 2 per cent in 1994 and nearly 6 per cent in 1995 and 1996, and most economists agree. But it will be some time before the improvement is reflected in the standard of living.

The most direct beneficiaries of devaluation are exporters, mainly farmers. Cocoa producers, for example, have seen the prices paid to them by the state increase by 20 per cent since the devaluation. Another increase was due this month.

Meanwhile urban Ivorians have been hit by the higher cost of imports, a problem only partly alleviated by the new government safety nets. Social unrest, however, has not been a problem.

Fears that the recovery would be thrown off course by the death of the country's long serving President Félix Houphouët-Boigny in December 1993 have also proved unfounded. If anything, the smooth succession by Henri Konan Bédié has shown the durability of the system created by "Le Vieux" in his 33 years at the helm.

While the government has been quick to welcome the emergence of green shoots, recovery remains fragile. With public spending being increased, a balanced budget is dependent on cocoa and coffee prices holding firm and excessive public-sector wage demands being resisted.

So far inflation has been kept under control. Although first half prices were up 20 per cent, compared with just 4.4 per cent a year ago, the increase is still well within the 35 per cent maximum set by the International Monetary Fund in a structural adjustment agreement signed in January under which Abidjan was promised soft loans totalling SDR333m ($486m) over three years. In February the World Bank approved structural adjustment loans of nearly $1bn, also over three years.

Whether Ivory Coast achieves a sustained recovery will depend partly on factors outside its control and on its success in tackling deep-rooted structural problems. In the former category, much depends on economic recovery in Europe and Africa – in 1992 more than half its exports went to Europe and a third to Africa. At home, recovery will be constrained by at least two structural problems – debt and the lack of economic diversification.

One of the government's top priorities is to reduce the high level of internal debt and, in particular, to clear internal arrears which have stifled economic activity in recent years. It has already rescheduled and consolidated the bulk of the debts to the banking system, public enterprises and the private sector. But internal Ivorian arrears were still about 8 per cent of GDP at the end of 1993.

> As the terms of trade have improved, exporters have begun to pay off their overdrafts and importers have built up stocks and cut orders, reducing their need to borrow

Ivorian banks meanwhile are less worried about bad debts than too much liquidity. Since devaluation, high interest rates have attracted a massive influx of capital from abroad and frightened off borrowers. As terms of trade have improved, exporters have begun to pay off their overdrafts and importers, having anticipated the devaluation, have built up stocks and cut orders, reducing their need to borrow.

In the longer term, the biggest threat to recovery comes from the external debt burden, which grew by nearly 10 per cent last year.

According to World Bank and IMF estimates, at the end of 1993 total external debt, 77 per cent of which is public sector, was about $19.4bn, more than twice GDP, and total external arrears were about $5.3bn, more than four times the previous year's figure.

One effect of the devaluation has been to double the CFA franc cost of the debt. But, what is more important, it has also encouraged international creditors to release loans worth about $1.1bn to the country this year, including the 1994 instalments of the IMF and World Bank loans.

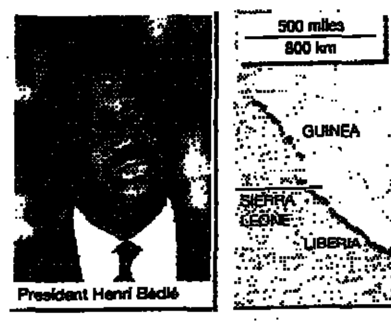
While international aid may relieve the symptoms of external debt, a cure will require a widening of the economic base. Efforts to diversify have been largely unsuccessful – cocoa and coffee still account for more than half the foreign exchange – although the recent discovery of offshore oil and gas by US oil company United Meridian offers some cause for hope.

Privatisation is also moving slowly, but this may soon change. Under pressure from the IMF, parliament passed a law in June outlining a detailed timetable for the privatisation of some 50 state enterprises by mid-1996. By the end of August, 10 companies had been privatised, including the electricity distribution company CIE which was sold to the French large engineering company Bouygues in 1991. The French company is also said to be interested in the telecommunications company CI-Telcom, due to be sold in 1995.

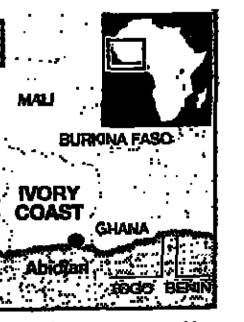
With presidential and legislative elections due at the end of next year, economic reform is likely to remain slow. While President Bédié and the ruling PDCI party are certain to win the elections, only the second to be open to other parties, maintaining budgetary rigour will be more difficult.

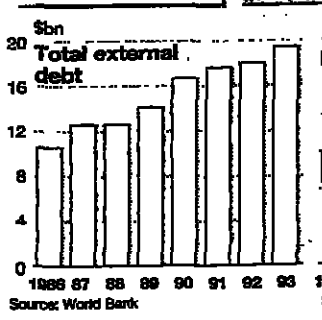
But failure to reduce economic dependence on cocoa and coffee might mean that the country misses its best chance in nearly a decade to revive its battered economy.

Ivory Coast: looking for recovery

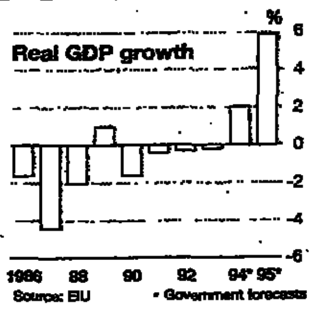


President Henri Bédié





Source: World Bank



Source: EIU • Government forecasts

Beijing angered by party in HK

By Simon Holberton in Hong Kong

Britain's uneasy relations with China took another lurch for the worse yesterday when Beijing rebuked London for allowing Taiwan's representatives in Hong Kong to celebrate their "national day".

China was stung by the decision by Hong Kong's urban council to allow the colony's cultural centre to be used by Taiwan to mark "Double Ten" – the day the republic of China was founded in 1911. China celebrated 45 years of the People's Republic on October 1.

The foreign ministry in Beijing attacked the Hong Kong government for allowing the celebrations to proceed. It said this proved once again "that the British side's deeds do not conform with its words," according to state radio and television reports monitored in the Chinese capital.

The reports quoted ministry spokesman Mr Chen Jian as saying Britain "lacked sincerity to improve Sino-British relations". The decision "not only hurts the feelings of the Chinese people but also adds new difficulties to Sino-British relations," he said.

"We demand the British side really fulfil its promise (of recognising only one China) or else the British side should be held responsible for whatever serious consequences arise from this," Mr Chen added.

The urban council's decision to allow the Taiwanese to use a public building has deeply embarrassed the Hong Kong government. Less then a week ago, Governor Chris Patten offered closer co-operation with China in the run-up to the 1997 handover of the colony.

In public, however, the government has stood by the decision, claiming that to reverse it would be illegal.

The latest Anglo-Chinese row has come at a time when the British Foreign Office was making a renewed attempt to repair relations with Beijing. A meeting between the two countries' foreign ministers a fortnight ago had gone well.

Some officials said the "Double Ten" controversy had spilled over to other areas of the relationship. During the weekend, Mr Lu Ping, China's top official in charge of Hong Kong affairs, demanded Hong Kong re-tender a contract for a big port project.

Beijing objects to one of the participants, the Jardine Matheson group, in the successful consortium. Earlier it had called on Hong Kong to exclude Jardine from the group, saying the company was a beneficiary of British favouritism.

Mr Anson Chan, Hong Kong's chief secretary, rebuffed this suggestion. "To suggest that our decisions were taken on anything other than economic or financial grounds undermines business confidence and impugns the integrity and competence of the government and the officials involved in the exercise," she said.

Mr Lu has also urged Hong Kong to hand over sensitive financial data on its budgets in the interests of smoothing the transition in 1997. These demands were rejected.

French death toll mounts in Algiers

By Francis Ghilès in Paris

A 62-year-old Frenchman who had lived in Algeria for 20 years has become the 19th and latest French victim of the civil strife which has claimed the lives of 63 foreigners and an estimated 28,000 Algerians over the past 21 months.

Mr Roger Merle, a consultant engineer, was killed at the weekend in the industrial zone of Oued Smar, 10km east of Algiers on the road to the airport. His death comes two days after Algerian security forces found another Frenchman, Mr Roger Manière, with his throat cut. He had been kidnapped six days before in Meftah, south-east of the capital.

The killings prompted Mr Alain Juppe, French foreign minister, to renew his call for all French citizens whose presence is not indispensable to leave Algeria. About 1,000 French citizens still live in Algeria.

The radical Islamic Armed Group (GIA) have claimed responsibility for killing most of the foreigners murdered so far. The latest killings come three weeks after the Islamic Salvation Front leaders were moved from prison to house arrest, prompting speculation a dialogue between Gen Liamine Zeroual, head of state, and more mainstream fundamentalists might be starting.

Violence is rising in Algeria, with an estimated 400 people killed in the last week of September. Observers note the increasingly sophisticated methods used by the Islamic groups, notably bombs detonated by remote control.

Hamas killers strike in city centre

Jerusalem deaths mar peace visit

By a Correspondent in Jerusalem

Peacemaking efforts in Israel by Mr Warren Christopher, US secretary of state, were overshadowed yesterday by a wave of outrage over the killings of two Jerusalemites in a late Sunday night shooting spree by Palestinian gunmen.

Mr Christopher, who held talks with Prime Minister Yitzhak Rabin and flies to Damascus today to meet Syria's President Hafez al-Assad in his attempt to broker a breakthrough in Israeli-Syrian peace negotiations, joined Mr Rabin in condemning the shooting as a crude effort by extremists to derail the peace process.

While many Palestinian leaders have condemned the incident, Mr Yassir Arafat, PLO chairman, had refrained from issuing any statement as of yesterday evening, and Mr Christopher urged him to add his voice to the chorus of condemnation.

Spokesmen for the Hamas Islamic fundamentalist movement in Gaza claimed responsibility for the attack in which a 19-year-old Israeli woman soldier and an Arab from a village on the outskirts of East Jerusalem were killed. They said the action had been timed to coincide with the anniversary of the October 8, 1990 killings of 18 Palestinians by Israeli security forces on the Temple Mount.

The two gunmen, both of whom came from Gaza, opened fire with semi-automatic weapons as they ran down a paved side street packed with bars and restaurants in the heart of west Jerusalem at about 11.30pm Police said the pair fired about 200 bullets, and threw two hand-grenades that failed to explode, before they were shot dead by Israeli security forces.

Other opposition leaders noted bitterly that one of the gunmen, Hussein Abbas, had been released early from a jail term for Hamas membership under the provisions of the Israel-PLO autonomy deal. There were also reports last night that the other gunman, Issam Johari, was a member of the Palestinian police force that has taken over responsibility from the Israeli army for law and order in Gaza.

Kuwaiti army puts on an unconvincing display

Troops look self-conscious, Robin Allen reports from Iraq-Kuwait border

The Kuwaiti army put on an unconvincing display of its military preparedness to scores of journalists taken to within 10km of Kuwait's northern border with Iraq yesterday.

On a windless day with temperatures well into the 90s, there was little movement of any kind in the featureless desert from the Jahrah Ridge (site of the decimation of the retreating Iraqi army on the second-last day of Desert Storm in March 1991) up to the demilitarised zone (DMZ).

Journalists were bussed 80km up the highway running north from Jahrah, 20kms west of Kuwait City, to two forward command posts, the nearest 5km from the DMZ. The zone runs the full length of the 207km Kuwait-Iraq border, extending 5km into Kuwait and 10km into Iraq.

Some 20-30 of Kuwait's arsenal of 150-200 aged M-84 tanks could be seen spread out and occasionally dug in either side of the north-south highway from the Jahrah Ridge towards the border town of Abdali. One oil-field fire was burning and gas was being flared in the area of the Sabriya oilfield, part of the much larger Raudhatain Reservoir south of the border.

Whole areas of desert were scarred by rusted metal and other waste typical of military activity and oil camps. At one spot beside the main road, Kuwait army spokesmen took special pride in pointing out what they said were the remnants of an Iraqi soldier's uniform, barely visible above the sand and long since shredded by sun and wind.

Journalists were invited to photograph soldiers posing behind machine-guns mounted on pick-up trucks or atop an M-84, a re-designated version of the Soviet T-72 modified by the former Yugoslav army.

Major General Ali al-Mumin, Kuwait's army chief-of-staff, said his men had experienced war on August 2, 1990 and in the subsequent liberation of Kuwait, and were in a state of "highest alert". Appearances can be deceptive. Still, those few troops visible looked more self-conscious, or in the case of the tank-crew, remarkably cool despite the heat and their cramped space, than alert or battle-hardened.

But Gen al-Mumin maintained a brave face. He suggested the Iraqis facing him across the DMZ comprised three Republican Guard divisions numbering 50,000-60,000 men, an estimate some 20,000 less than the figure given on Sunday night by Sheikh Saud Nasser al-Sabah, Kuwait's information minister. Facing them are 20,000 Kuwaitis.

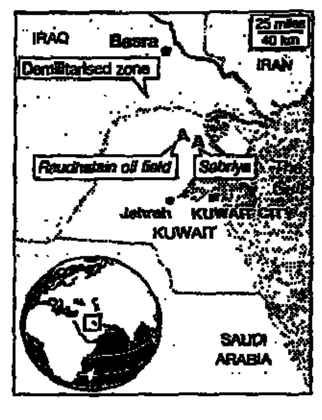
Asked to justify his confidence in view of the Iraqi numerical superiority, Gen al-Mumin referred to the support given by "our brothers-in-arms and our friends", a clear reference to US forces which he said would be arriving "sooner than you think". Many arrived in Kuwait on Sunday night.

Brigadier General Salem al-Surour, army commander in the Abdali sector, said Kuwait's army would stay on full alert whatever the outcome of the debate in the UN Security Council.

A more spontaneous reaction to Kuwait's military preparedness was given by an off-duty conscript who bluntly commented that were it not for the US forces, many Kuwaitis would have left for Saudi Arabia. Several journalists who had been with coalition forces during Desert Storm were equally negative in their comments on the army's seeming military unpreparedness.

As though in recognition of this, the numbers of US reinforcements due to arrive in Kuwait have increased to some 18,000 marines plus thousands of extra ground troops from the Rapid Deployment Force attached to the US Central Command. These extra troops are in addition to the several thousand already in Kuwait.

The military confrontation with Iraq has been blurred by the arrival of several thousand "stateless" *Bidoon* who have pitched some 6,000 tents on Iraq's side of the border in the port city of Umm Qasr.



Described by Kuwait as "Iraqi soldiers in civilian clothes", it is expected they will be encouraged by Iraq to hold "demonstrations" to draw attention to their "plight", to embarrass the Kuwaiti government.

Strong US support for Clinton over Gulf stand

By George Graham in Washington

President Bill Clinton may have found it hard to win support for his policy in Haiti, but he has no shortage of backers for his actions in response to the build-up of Iraqi troops near the Kuwaiti border.

Republicans who were closely involved in the US's first confrontation with Iraq in 1990-91 were quick to back both Mr Clinton's decision to reinforce the US military presence in the Gulf and his firm statements of the US's determination to thwart any repeat of Iraq's 1990 invasion.

"I thought President Clinton did it right today: let's not get excited, but let's, on the other hand, remember that Saddam Hussein is totally unpredictable," said Mr Lawrence Eagleburger, deputy secretary of state during the Gulf war and later secretary of state.

Mr Dick Cheney, the Bush administration's defence secretary, added his support for the reinforcements sent to the Gulf and for Mr Clinton's strong statements.

But he went further in suggesting that the US should be ready to attack pre-emptively.

"I think we ought to take the initiative at the appropriate point, when we're ready. He ought to be told either to stand down his force or we'll hit him, and it ought to be at our timetable, not his," Mr Cheney said in a television interview yesterday.

Mr William Perry, his successor at the Pentagon, refused yesterday to rule out the possibility of a pre-emptive strike.

Republicans have been quick to warn Mr Clinton not to allow himself to get trapped into negotiations with Baghdad.

"There's no mission here for Jimmy Carter," quipped Mr Cheney.

Mr Carter's recent missions to North Korea and Haiti have both been successful in winning some kind of agreement that averted the threat of war, but the former president has been strongly criticised for backing the administration into making too many concessions.

The only strong criticism of Mr Clinton's actions came from Mr Ross Perot, the Texan billionaire who lost to Mr Clinton in the 1992 presidential election.

In a tirade more rambling than his norm, Mr Perot accused the president of orchestrating the tension with Iraq, as well as the US-led occupation of Haiti, to try to improve his party's chances in next month's congressional election.

"What's about to happen? We're about to have an election, right? This is the old game. The first war didn't get him a bump in the polls, now let's try a second one," Mr Perot said.

Soldiers from the US 24th Infantry Division boarding an MD11 aircraft in Savannah, Georgia, for a flight to Kuwait *Associated Press*

Security Council takes harder line

By Mark Nicholson in Cairo

President Saddam Hussein's aggressive troop deployment in southern Iraq has "changed the environment" within the United Nations Security Council and suffocated previous support from France and Russia for early moves towards an easing of sanctions, diplomats in New York said yesterday.

The diplomats described the deployment as a "foolish" and "failed" attempt to bully the Security Council which, they said, would only postpone any consideration of easing the economically crippling four-year-old oil embargo. "The Council cannot accept to be threatened," said one official. "This has been very counter-productive for the Iraqis."

Security Council members are today due to receive a report from Mr Rolf Ekeus, UN special envoy, on the readiness of monitoring systems to ensure Iraqi compliance with a post Gulf war ban on developing weapons of mass destruction. The report is expected to say the systems are in place and that a test period can begin.

Last week Iraqi officials issued an ultimatum, apparently backed up by the past few days' show of military muscle near the Kuwaiti border, threatening unspecified "measures" should the Security Council not act immediately on Mr Ekeus's report and move towards easing sanctions.

However, diplomats said that while the Security Council is likely to consider the report at a meeting tomorrow or Thursday, it is not expected to issue more than an acknowledgment that the weapons monitoring systems are "provisionally operational". As a western official said: "I don't know what Saddam is waiting for, but he's not going to get anything out of the Security Council."

France and Russia, along with China, had previously said they backed offering Iraq a definite six-month monitoring test period which, if Iraq complied, they said should lead to a full Security Council discussion on easing sanctions. Britain and the US opposed giving Iraq such concrete criteria for the lifting of sanctions.

Yesterday, however, diplomats said the Iraqi troop movements had reversed these diplomatic gains. "All the environment has changed," said one. "And we cannot expect the council to take any positive action on the Ekeus report."

Iraq still to abide by UN resolutions

By George Graham

Iraq is the subject of a long series of UN Security Council resolutions, starting with Resolutions 660 and 661, which condemned the Iraqi invasion of Kuwait in 1990 and imposed economic sanctions.

Sanctions are to remain in place until Baghdad complies with the terms of subsequent resolutions, notably 686 and 687, passed immediately after the 1991 end of the Gulf war.

Those terms include: the elimination of ballistic missiles and weapons of mass destruction (WMD); respect for Kuwait's borders and sovereignty; co-operation with the International Red Cross on the release of Kuwaitis and others it detained during the war, the location of missing persons; and insistence it accept its liability for the losses and damage it caused in Kuwait.

In a report to the US Congress in June, President Bill Clinton reported that the US believed the International Atomic Energy Agency had "effectively disbanded the Iraqi nuclear weapons programme, at least for the short term". Missile launchers and "a good deal of Iraq's indigenous capability to manufacture prohibited missiles" have been destroyed, and UN missions have reduced Iraq's ability to produce chemical weapons.

But, US officials say, "serious gaps remain in accounting for Iraq's missile and weapons of mass destruction programmes". They regard the setting-up of a long-term monitoring programme as especially important, "because we believe Saddam Hussein is committed to rebuilding his WMD capability".

Also, the US says, Iraq has continued to breach Resolution 688, which demands it stop persecuting its Kurdish inhabitants and other populations such as the Marsh Arabs. Baghdad continues to drain the marshes and burn the reeds in southern Iraq and to raze or shell villages.

Iraq still refuses to recognise Kuwait's sovereignty and the inviolability of the UN-demarcated border between Iraq and Kuwait, which the Security Council reaffirmed in Resolutions 773 and 833. Nor has it co-operated, US officials say, with the International Red Cross on Kuwaiti detainees, or given information about 600 people listed as missing.

South Africa and EU agree on closer ties

By Mark Suzman in Pretoria

The European Union and South Africa yesterday signed a co-operation agreement, laying the foundation for closer political and economic ties and marking the conclusion of a four-day visit to South Africa by Sir Leon Brittan, the external economic relations commissioner.

The agreement, which was signed in a ceremony at Pretoria by Sir Leon and Mr Thabo Mbeki, South African deputy president, is primarily concerned with boosting co-operation in trade and development, although it also deals with questions of human rights and democracy.

It will also allow the European Investment Bank, which currently has Ecu300m (£236m) earmarked for South Africa, to begin lending activities in the country as well as setting the legal basis for the expansion of EU-South African economic links.

Both the agreement and Sir Leon's visit testify to the growing prominence of the EU in South Africa as an institution separate from its member states. More importantly, they lay the groundwork for the negotiation of a formal trade agreement between the EU and South Africa. The EU is currently South Africa's biggest trading partner and receives more than 40 per cent of South African exports, while providing 33 per cent of the country's total imports. Two-way annual trade amounts to R63bn (£11.5bn).

Although South Africa was admitted to the Generalised System of Preferences in September, there is currently a debate over whether the country should also seek accession to the Lomé Agreement, which provides 69 developing countries with preferential access to EU markets, or whether it should instead draw up a separate agreement with the EU.

Speaking at the signing, Mr Mbeki said he hoped that the resolution of this question could be reached as "quickly as possible" but warned that any final deal would first require consultation with other states in the region.

Sir Leon echoed these sentiments and said that he hoped that the EU also hoped to contribute to broader regional development.

However, he warned that urgent action first needed to be taken by South Africa to dismantle its existing trade barriers if it wished to become an attractive market for European investment. "Such a protectionist system [as South Africa's] makes no sense today," he said. "I have stressed that further liberalisation is essential for both trade and investment."

Earlier on his trip, Sir Leon announced plans to form a joint EU/South Africa Business Council to help promote business ties and trade links.

Meanwhile, on the aid front, the EU has long been South Africa's largest single donor of unattached grant assistance for development, having spent R1.2bn since 1986. It plans to spend a further R440m a year on various development programmes, especially in education and health.

Romania close to helicopter pact with Chile

By Virginia Marsh in Budapest

Romania is close to signing a long-term support contract to maintain military helicopters for the Chilean armed forces, the first deal of its kind between the two countries.

Under the contract, which is due to be signed within two months, Turbomecanica and IAR, two Romanian helicopter manufacturers, will repair the Chilean army's Puma SA 330 helicopters at sites in Romania and Chile.

Turbomecanica will repair engines, motorheads and gear boxes in Romania and produce all the new components needed. It will sub-contract to IAR maintenance work on the helicopters' airframes in Chile, according to Turbomecanica officials.

The value of the contract has not been disclosed but it is believed to run to several million dollars.

The deal is part of a strategy by the two companies to expand their repair and maintenance activities, officials said. The companies, have manufactured the Puma SA 330 military helicopter under licence from Aérospatiale of France since 1975, producing 150 of the 600 helicopters of this type worldwide.

Turbomecanica, which employs 400 engineers, also produces engines for civilian and military engines under licence from Rolls Royce of the UK and turbines for gas-pumping stations.

Romania is the only country in the former Eastern bloc with an aerospace industry based on western rather than Soviet technology.

Since the collapse of the Warsaw Pact, the country, which has the capacity to manufacture two Puma helicopters a month, has re-oriented sales to western countries.

This year it completed a $37m contract with the United Arab Emirates for 10 Pumas, and also exports the helicopter to France, Ecuador and Pakistan.

Malaysia dampens hopes of Apec deal

Mrs Rafidah Aziz, Malaysia's international trade and industry minister, yesterday said there was little prospect that the Asia-Pacific Economic Co-operation summit in Indonesia next month would reach a binding free trade pact, Reuter reports from Kuala Lumpur.

Responding to a statement from Mr Bob McMullan, Australian trade minister, who said on Sunday there was a better than 50-50 chance of an agreement, Mrs Rafidah said: "I don't know that. Many countries do not subscribe to an Apec free trade agreement, not just Malaysia."

Mr McMullan said that despite differences on the pace of change within the 17-member Apec forum, leaders at the November 15 meeting would agree on a free trade initiative.

"My view is that the odds are better than 50-50 that we will get some agreement," he said on television after attending an Apec trade ministers' meeting in Indonesia last week.

Mrs Rafidah said even if an agreement was hammered out it would just be an "academic exercise".

"As I understand it, Apec operates on the basis of consensus," she said. "That means no country can be bound by anything that Apec decides. So this [trade agreement] would be just an academic exercise."

She said Malaysia preferred to realise free trade goals through the General Agreement on Tariffs and Trade (Gatt).

"We have, in fact, ratified Gatt, but many other countries in Apec, including the US, especially the US, have not," Mrs Rafidah said.

"How can you you talk about free trade in Apec when you can't fulfil your obligations under Gatt?" She reiterated Malaysia's position that Apec should be a consultative forum focusing on trade facilitation, technology transfer and human resource management.

Mr McMullan said that if the leaders agreed to a goal of 2020 for free trade in the Asia-Pacific region, as suggested by Apec's eminent persons group, it would be an historic achievement.

However, the actual date was not important.

"I think that once the process starts it is almost certain that it will accelerate," Mr McMullan said.

The eminent persons group has suggested a timeframe which staggers dismantling trade barriers between 2000 and 2020 depending on whether a country's economy is developed, industrialising or developing.

Australia, the US, Singapore and Indonesia favour fast-tracking trade liberalisation in the region, while Japan, along with Malaysia, have expressed some reservations at the pace of change and the formal development of Apec.

Apec groups Australia, the US, Canada, Mexico, Japan, China, Hong Kong, Taiwan, South Korea, Indonesia, Brunei, the Philippines, Malaysia, Singapore, Thailand, Papua New Guinea and New Zealand.

Efta chief faces short contract

A Nordic yes to the EU would spell the association's end, writes Frances Williams

"I cannot exclude the possibility that Efta may end next year," admitted the incoming secretary-general of the European Free Trade Association, Mr Kjartan Jóhannsson, on August 31, his first day at work. His last may not be long in coming if Finland, Sweden and Norway follow Austria in voting this autumn to join the European Union.

In that case, only a miracle will prevent the Icelandic diplomat and former trade minister, together with his 270 staff in Geneva and Brussels, being out of a job next July.

With the loss of four of its seven members Efta will be reduced next January to a rump of one small nation and two tiddlers – Switzerland (population 7m), Iceland (population 260,000) and Liechtenstein (population 28,000). The association's chances of surviving this amputation look slim at best. Iceland has already made plain it too may apply for EU membership if its Nordic partners vote yes.

Ironically, Efta, which was established in 1960 to promote free trade in western Europe, has never been busier. The watershed came in 1989 when Mr Jacques Delors, president of the European Commission, proposed establishment of what was to become the European Economic Area, a single market of some 370m people linking the EU with six of the seven Efta nations.

To satisfy the terms of the EEA accord, which came into force at the beginning of this year, Efta had to set up an Efta court and a surveillance body to oversee implementation of the new trading rules. The association's staff doubled in size. Yet, after just 12 months, those institutions will no longer be needed.

Switzerland is not a member of the EEA following the narrow rejection by voters in December 1992. Iceland has decided to open discussions with the EU on preserving the EEA accord as a bilateral deal between Reyjavik and Brussels.

Liechtenstein will vote for a second time on EEA membership later this year because of consequent changes in its trading relationship with Switzerland with which it has a customs union. But even if the answer is another yes the principality will be forced along the bilateral route in Iceland's wake.

The loss of four members would reduce Efta to one small nation and two tiddlers

This means there will be no residual role for Efta in supervising its members' compliance with EEA rules. And the association's other main area of concern, trade agreements with third countries, also looks likely to disappear.

As of now, Efta has negotiated free trade accords with half a dozen nations in central and eastern Europe, Turkey and Israel. However, in law and in practice these are bilateral agreements applied by Efta's individual members; the association has never aspired to become a customs union with a common external trade policy.

From next year the EU entrants will be bound by trade accords negotiated in Brussels. Switzerland, Iceland and Liechtenstein will continue to apply the agreements with third countries and the free trade agreements they have between themselves. But it scarcely seems likely they will want to stump up for a common secretariat to keep an eye on their activities.

As late as last year there were hopes that Efta would find a new role as a "half-way house" for countries of central and eastern Europe aiming at eventual EU membership and thinking of the EEA as a possible stepping stone.

Such hopes have been comprehensively disappointed. As Mr Jóhannsson frankly concedes, these countries have shown no interest in Efta, preferring to aim straight at goal, "and if the political desire is not there it is not on the agenda". Hungary and Poland have already filed their applications with Brussels in a bid to join the EU around the turn of the century.

It seems that the only thing that will save Efta now is a no vote in one or more of the Nordic nations. Finland, the most likely to say yes, votes on October 16, Sweden on November 13 and Norway, where opposition is greatest, on November 28.

In mid-December all seven Efta trade ministers will meet in Geneva to decide what to do next. But already they have given notice that adjustment to the new situation, whatever that may be, will be completed in the first half of next year. Mr Jóhannsson's present contract, and those of his staff, expire at the end of June 1995.

Finland feature, Leader Page

U-turn by US hits Caribbean exporters

By Edward Orlebar in Guatemala City

Garment and textile exporters in Central America and the Caribbean will be seriously affected by a US government U-turn on trade benefits.

Central American and Caribbean nations, which thought they had secured the administration's backing for market access, were shocked by the recent decision to remove the so-called Interim Trade Programme. The ITP would have granted Caribbean and Central American states parity with Mexico in exporting to the US and Canada and thereby protected their markets.

US vice-president Al Gore announced in in May that the ITP would be attached to fast-track legislation on Gatt, following months of lobbying by regional exporters who share about 14 per cent of the US market.

However, the administration was forced to uncouple the preferential access from a legislative package on ratifying the Uruguay round of Gatt in an effort to speed ratification of the world trade treaty. .

Central American officials feel the decision flies in the face of rhetoric on Pan-American solidarity in the run up to the Hemispheric summit to be held in Miami in December.

"It's like a bucket of cold water," said José Orive, Guatemala trade negotiator with North America. Mr Orive said suppliers were already beginning to relocate to Mexico. Officials fear new buyers and investors will be increasingly difficult to attract.

The clothing industry has grown rapidly in Central America in recent years, providing several hundred thousand people with jobs generally better paid than the farm sector.

In Guatemala and Honduras the sometimes appalling labour conditions, the suppression of union activity, physical violence against workers, and summary dismissals, have angered US unions and human right groups who have campaigned in favour of the removal of trade benefits.

According to data from the US Department of Commerce, 1993 clothing imports from Guatemala were worth $551m, from Costa Rica $653m, Honduras $509m, and El Salvador $251m.

Without North American Free Trade Agreement parity, textile and apparel exports pay between 17 per cent and 21 per cent tariffs, which makes them uncompetitive with Mexico in an industry where profit margins are tight, says Mr Eduardo González, Guatemala's economy minister.

Under the North American Free Trade Agreement, Mexico has agreed a three-year tariff reduction which begun this year and which will reach zero by 1997.

The administration's decision is at odds with US clothing companies who source in Central America to take advantage of the low labour costs and comparative proximity to the US market, which allows for a rapid response to orders in comparison with far eastern suppliers.

The decision on ITP is a further blow following the exclusion of garments and textiles from the Caribbean Basin Initiative earlier this year. The 24 countries which are beneficiaries of the 10-year old Initiative are allowed to ship some products duty free to the US. However, garments and textiles were excluded after pressure from the US industry.

Mr González says there has already been a sharp drop in growth in garment exports from CBI countries. In 1993 Mexico's exports grew 19 per cent compared to 28 per cent for CBI countries. In the first quarter of 1994 Mexican garment exports rose 39.2 per cent, and CBI exports were up by only 9.9 per cent.

WORLD TRADE DIGEST

Chinese market on a fast track

China is poised to become the world's fastest growing consumer market, with spending set to treble over the next 10 years, according to a report released yesterday by DRI/McGraw Hill.

The report entitled "China's Consumer Markets: Here Comes the Boom", said: "Within the next 10 years, total consumer spending will triple, from $261bn in 1993 to $734bn by 2003." Consumer spending is expected to grow at an average annual rate of 7.5 per cent, making China the world's fastest growing consumer market for that decade. "By the year 2003, China will be among the world's largest markets for televisions, refrigerators and other appliances and electronic products," the report said. Status and entertainment goods, such as CDs, cosmetics, blue jeans and air conditioners should do particularly well. More than $4bn will be spent on children's clothing, and more than $2bn on household furniture over the decade, while retail sales of beer are expected to total more than $8bn, the report said. *Reuter, London*

ABB enters Russian venture

Asea Brown Boveri, the international electrical engineering company, has signed an agreement with Uralelektrotyazhmash (UETM) of Russia to form a joint venture which will make high-voltage power transmission equipment. The new company, ABB UETM, will be based in the Urals city of Ekaterinburg, previously Sverdlovsk. It will be 51 per cent-owned by ABB and will employ more than 200 people. The venture takes the number of ABB companies in Russia to 17, employing 3,000 people and operating in power generation, transmission and distribution, and systems building. ABB UETM will make circuit breakers, disconnectors and instrument transformers for the high-voltage electricity supply network. It will also introduce ABB's latest gas-insulated technology to the Russian market. *Andrew Baxter, London*

Philips, IBM discuss chip deal

Philips, the Dutch electronics group, and IBM, the US computer group, are negotiating the establishment of a semi-conductor joint venture at IBM's existing German factory in Böblingen Hulb, near Stuttgart.

The proposed venture will make memory chips for IBM and logic chips for Philips. The move, which hinges on successful completion of the negotiations as well as on government approval, would help solve some capacity problems at Philips, which earlier this year announced an expansion of its main Dutch semi-conductor plant in Nijmegen. IBM's plant currently employs 800 people to manufacture 4 megabit dynamic random access memory (D-RAM) chips. The venture would rely on assets and employees from the existing Böblingen Hulb site. *Ronald van de Krol, Amsterdam*

Proton pushes left-hand drive

Proton, the Malaysian car manufacturer, has begun shipping left-hand drive models of its cars to continental Europe. The first shipment of 570 Proton 1.5 and 1.6 litre models left Malaysia at the weekend bound for France, Belgium and Luxembourg. Mr Kisai Rahmat, Proton's deputy managing director, said his company expected to sell 12,000 cars in continental Europe over the next year. Proton says its left-hand drive models will sell for between M$32,000 ($12,500) and M$35,000, pre-tax. Proton is manufactured in co-operation with Mitsubishi of Japan. The bulk of Proton's exports now go to Britain, where it sells about 14,000 cars a year. *Kieran Cooke, Kuala Lumpur*

CONTRACTS

■ BICC, the international cable and construction group has signed an agreement with RPG Group, one of India's largest industrial enterprises, to produce optical telecommunication cables for the Indian market. *Foreign staff, London*

■ Taylor Woodrow International has won a contract worth 150m Saudi Riyals ($39.5m) for civil and building works at the Yanbu cement plant. Work will involve building 12 concrete silos, a central control building, storage sheds, a pre-heater tower, a power station, sub-stations and other ancillary buildings. The main contractor is German company KHD Humboldt Wedag. *Foreign staff, London*

■ Upjohn (UPJ) said its joint venture with Suzhou Pharmaceutical Factory will invest up to $30m in a pharmaceutical plant in Suzhou, China. *AP-DJ, Kalamazoo, Michigan*

■ Australian-based mining company, Broken Hill Proprietary, has signed a deal with US company, King Ranch Oil and Gas, to develop a gasfield and build a power station in Ecuador. *Reuter, Sydney*

■ Britair, a French regional carrier, has ordered three Bombardier 50-seater regional jets worth $60m for delivery in 1995 and options on three more. They will enable Britair to fly new longer routes. The regional jet order book now stands at 79, with 44 delivered. *Robert Gibbens, Montreal*

Drug success claim in fight to slow MS

By Daniel Green

Multiple sclerosis victims may be able to obtain, by 1996, a drug that drastically slows the progress of the disease.

The results of clinical trials, presented yesterday in San Francisco, showed with 98 per cent certainty that the progress of the disease's symptoms in patients taking beta interferon was about half the speed in those taking a placebo.

If approved by regulatory authorities, the drug should bring its developer, the Massachusetts biotechnology company Biogen, more than a third of a world market estimated at $1.4bn by 1998.

MS is the most common disease of the nervous system in young adults. It affects worldwide some 2m people who suffer a slow disintegration of physical co-ordination.

The results of large-scale clinical trials were announced yesterday at the American Neurological Association meeting in San Francisco.

As well as the slowing of the disease's progress, the proportion of patients reporting "flare-ups" in the debilitating disease was cut by half over 18 months.

These results seem better than with the one drug now on the market, Betaseron from the German company Schering.

However, clinical trial results are not directly comparable because of differences in condition of patients in trials and in effectiveness measures.

Even so, Mr Lawrence Jacobs, head of neurology at Buffalo General Hospital in New York, who conducted the trials, was confident that Betaseron would not have been as effective as beta interferon if the two had been compared in identical trials

Analysts at Lehman Brothers, the US stockbroker, forecast that sales of Biogen's drug will have overtaken those of Schering by 1998. However, there could be two or three other drugs on the market by then. Switzerland's Ares Serono is producing a beta interferon similar to Biogen's, while Israel's Teva has a drug which works by a different mechanism.

Such competition could reduce the price of the drug per patient from about $9,000 a year at present, says Lehman Brothers.

Competition is likely to hinge on differences between the two drugs. Prof Jacobs said that Biogen's drug had a good safety and side-effect profile. Flu-like symptoms that affect the majority of patients had passed within eight days. With Schering's drug, that can take several months.

On the other hand, examinations of patients using magnetic resonance imaging (MRI) of damaged nerve cells showed Betaseron to be more effective under some conditions.

Protest at Brazil logging

The environmental pressure group Greenpeace has brought to Brazil its global drive to save ancient forests, AP reports from Rio de Janeiro.

Its ship, also called Greenpeace, was set yesterday to begin a 30-day voyage down the Amazon. The organisation's Brazilian rainforest co-ordinator, Mr José Augusto Pádua, said Greenpeace will protest at illegal logging and at the poisoning of rivers by mercury used by gold miners.

Brazilian mahogany is in danger of extinction because of logging by both lumber companies and tribal peoples. The biggest buyers of such wood are in the US and the UK.

Greenpeace launched its forests campaign last May in Siberia. It has already visited Canada, the US, Central America and Guyana.

Haitian disarray poses threat to aid

Ted Bardacke on problems of rebuilding a nation without a government

Exiled Haitian President Aristide speaking during a church service in Philadelphia on Sunday AP

Government in Haiti has all but ceased to exist. So, when millions of dollars in foreign aid follow the planned return this week of exiled President Jean-Bertrand Aristide, getting it to those who need it most will be no easy task.

And when business groups prepare for the restoration of a normal economy, knowing whom to negotiate with and trust will also be difficult. The military government the US came to remove is no longer functioning. Except for levies on consumption, no taxes and tariffs are being collected; bills from the state-owned electricity company are unpaid.

The federal government has an annual budget of just $125m (£79m), 35 per cent of which went to the armed forces. In the three years of military rule, there has been virtually no spending on education or public works.

"The Haitian budget has a very low impact on the country's economy," says Mr Raymond Lafontant, head of the Haitian Industrial Development Association. "If they closed all the ministries, the country would still work."

A senior official at the ministry of economy and budget says he has had no contact with the Aristide team that will take over the management of the economy. Upon President Aristide's return, he says, he will "not necessarily" have a job.

Between $450m and $770m in aid is due to be disbursed over the next several years. While the government – a government – is set up again to administer it, several solutions are being offered to keep aid money under US control so that it gets to the people who need it in this country with an annual per capita GDP of $250.

The United States Agency for International Development, which will control many of the new assistance programmes, wants much of the money to go through local government officials. To do this they must wrest the control of local administration from the dreaded so-called Section Chiefs, rural strong men appointed by the military regime. So USAID will immediately look to fund the December local elections, where it is hoped that the Section Chiefs will be swept into oblivion.

During the three years since Aristide's overthrow, there has been virtually no spending on education or public works

"Those elections are the insurance policy for our aid," says one USAID official.

The US occupation force is also doing its part. One of the mandates of Special Forces troops operating in rural areas is to determine development priorities for the new government, and in the capital army doctors are designing a plan to convert an abandoned hotel into a hospital.

"The government has no absorption capacity," says Mr Dieter Hannusch of the United Nations Development Programme. "The best situation would be for the government to oversee the projects without having government employees do the actual work."

Many of the humanitarian assistance programmes would be contracted out to Haitian non-governmental organisations (NGOs), while infrastructure works would fall to the private sector.

Haitian NGOs were given much responsibility under the Aristide government but were accused of being partial to Aristide supporters. Since the coup, USAID has been working with leaders of those NGOs, many of whom had gone underground, identifying those considered "trustworthy and independent".

Haitian business groups, while happy to win contracts from international aid groups and to have the UN economic embargo lifted, say that the Aristide government must focus its energies on political stability.

"We can work with anybody as long as they ensure peace and stability," says one prominent local businessman, while Mr Lafontant estimates that with political stability half the country's 45 export-oriented assembly plants will be functioning within six months.

"Aristide understands that an infusion of capital directly depends on the level of stability in the country," a senior US official said during a visit to Haiti last week.

The embargo has created an unprecedented level of pent-up domestic investment capital. "People who made a lot of money off the black market are eager to invest in concrete projects," says Mr Robert Stryhanyn who owns concerns in cement and transportation.

At the country's only iron and steel foundry, owner Mr Gilbert Bigio is constructing new sales offices to handle the expected growth in business. Yet many businessmen complain that the market is too free and that to sustain economic growth beyond what the initial aid and euphoria will bring, the government must start to do something about the high hidden costs associated with the breakdown of economic order.

For instance, moving goods through the capital's port costs three times as much as it does in the neighbouring Dominican Republic because of corruption, even though most cargo comes in tax free. Private security services, which make up for a lack of police protection, are a big cost.

Longer reach for enforcing US anti-trust

By George Graham in Washington

US anti-trust enforcement agencies are expected to be able to expand their reach overseas when President Bill Clinton signs a bill, passed in the closing hours of the congressional session on Saturday, to allow greater co-operation with foreign competition authorities.

The bill will allow the US Department of Justice and Federal Trade Commission, which share responsibility for enforcing anti-trust laws, to provide information which they would otherwise be barred from divulging to countries which agree in return to share their own information.

The US has this sort of legal co-operation agreement only with Canada. Justice department officials credit the co-operation pact with helping them break up a cartel fixing prices of thermal fax paper and plastic cutlery this year.

Ms Janet Reno said the new law would "give us unprecedented access to evidence needed to conduct investigations of international business activity". In exchange, she said, US laws would be retooled to accommodate similar requests from foreign countries.

The US worked closely with European Union competition authorities in an investigation of Microsoft, the computer software giant, that resulted in a settlement this year.

In that case, however, Microsoft gave its consent for the exchange of information which the Justice Department would otherwise have been prohibited from divulging. The US signed an anti-trust co-operation deal with the European Community in 1991, but that was overturned this year by the European Court of Justice on the grounds that it should have been concluded by the Council of Ministers, not the Commission.

Although the US administration launched its campaign for the bill in June, it was squeezed through the House of Representatives judiciary subcommittee on economic and commercial law less than two weeks ago, and was one of a long list of mostly uncontroversial measures passed by the Senate without a recorded vote in the final hours before members went home to campaign for the November 8 election.

Tighter bankruptcy legislation welcomed

Bankers and consumer groups are welcoming changes to the US bankruptcy code that slipped through Congress in the closing days of the session last week, writes George Graham in Washington.

The legislation makes the first substantial changes to US bankruptcy law since 1978, and is viewed as partially redressing a balance that had swung too far in favour of the debtor.

Once the measure has been signed into law by President Bill Clinton, court proceedings will be speeded up by the imposition of a 30-day time limit for courts to rule on requests for an automatic stay, which allows a debtor to avoid foreclosure on property when filing for bankruptcy.

The bill would also seek to prevent debtors from extending their bankruptcy hearings. It would give creditors the right to appeal against any extension of time granted to a company to file its bankruptcy reorganisation plan.

For personal bankruptcies, the lower limit for filing for Chapter 13 protection – a procedure which shields a debtor while allowing time to work out a repayment plan – would be raised from $450,000 to $1m.

Tory chief seeks to deflect row over contract

By Kevin Brown, Political Correspondent

Mr Jeremy Hanley, Conservative party chairman, yesterday committed the government to "the highest possible standards in public life" as senior ministers sought to deflect allegations of impropriety in arms sales to the Middle East.

Amid a welter of allegations about the involvement of Mr Mark Thatcher in the £20bn Al Yamamah deal with Saudi Arabia, Mr Hanley said that no evidence of any financial impropriety had been produced.

Seeking to distance the government from the administration led by Baroness Thatcher, who negotiated the Al Yamamah deal in 1985, Mr Hanley said ministers were not answerable for the activities of individuals such as Mr Thatcher.

"The government is led by a prime minister who is highly honourable and honest in his dealings, and the government has a record of which we are proud," he said on the eve of the party conference in Bournemouth.

"This conference is about the record of this government, and we what are going to do over the next two-and-a-half years."

Mr John Major, who will meet Lady Thatcher when she arrives in Bournemouth today, is understood to be deeply angered by the reports, which distract from efforts to steer the government away from Labour taunts about "sleaze".

However, ministers appeared unable to escape the jibes, which were given fresh currency by a Daily Telegraph opinion poll suggesting that the government is widely associated with "sleaze" in the public mind.

Mr Kenneth Clarke, the chancellor, said in Brussels that the findings were a "sad comment" on the public perception of British politics.

"The fact is British politics is probably still the most honest in the world," he said on BBC Radio. "It is a bit of a joke to claim that any political party in Britain has standards that can really be described as sleaze.

"I think in the knockabout of party political exchange some people use language which is extremely unfortunate and some of the Labour spokesmen who go completely over the top ought to reflect on the damage they are doing to public confidence in politics."

Labour MPs showed no signs of easing their campaign against alleged sleaze. Mr Kim Howells, a Labour member of the Commons public accounts committee, said it was "extraordinary" that most committee members had been prevented from seeing a report on the Al Yamamah deal. "There were rumours flying around left, right and centre . . ."

Mark Thatcher a marginal figure in Saudi arms deal

Bernard Gray on political and industrial manoeuvres behind the £20bn sale of fighter aircraft

It was US politicians rather than middlemen such as Mr Mark Thatcher who gave Britain its first foot in the door for the £20bn Al Yamamah arms deal with Saudi Arabia.

If the strong Jewish lobby had not persuaded Congress to veto the sale of US F-15 fighters to the kingdom Britain would probably never have had the chance to negotiate the deal.

Once the veto had been applied Britain was in a very strong position to supply the Saudis with advanced fighter aircraft. The UK had a long-standing defence relationship with Saudi Arabia, stretching back to the supply and maintenance of 46 Lightning aircraft in the 1960s.

Baroness Thatcher, at the time Mrs Margaret Thatcher, the prime minister, had visited the kingdom and had made a strong impact on King Fahd. Personal relationships between leaders are very important in the Gulf. The French, the other potential suppliers, had no such pull.

So in 1984-85, with the Gulf war between Iran and Iraq raging near their northern border and concerns about the spread of Islamic fundamentalism growing, the Saudis were keen to improve their defences as quickly as possible. The way was open for the UK to strike a deal.

The three main British negotiators for Al Yamamah were Sir Colin Chandler, then head of the government's defence export services organisation (DESO), previously a marketing chief of British Aerospace and now chief executive of Vickers; Mr Dick Evans, the marketing head of British Aerospace and now its chief executive; and Lady Thatcher herself.

Lady Thatcher did not have particularly close links to the BAe executives, although all involved were obviously keen to secure the order. It was Lady Thatcher's link to King Fahd which was the motor for the deal.

The British team used Mr Wafic Said, a London-based Saudi, as the go-between, and he brought Lady Thatcher's son Mark into the deal. If his intention was to make sure of his mother's support, he need hardly have bothered, as the prime minister was keen on the idea anyway.

One official involved at the time said: "Mark certainly tried to generate the impression that he had influence. He was putting himself around a lot. But in practice I think he didn't have much pull."

A former director of BAe said: "Mrs Thatcher's intervention was crucial, but she came in at the request of BAe, not as a result of Mark Thatcher's efforts."

The outline Al Yamamah deal was concluded in September 1985, with the full contract signed the following year. It was a government-to-government deal, with BAe nominated as the company primarily responsible for the business.

Commissions were paid to middlemen as a result of the deal. Mr Said insists he was not paid a commission, but an ex-BAe director said: "Commissions would have been paid on the deal. I do not know if Mr Thatcher received money, but I wouldn't rule it out."

Saudi Arabia agreed to buy 72 Tornado aircraft, a mixture of the air defence fighters and ground attack bombers, and 60 Hawk advance trainers and PC9 basic training aircraft. A big package of training and support services was included in the deal – BAe has had about 4,500 personnel in Saudi Arabia working on the Al Yamamah deal ever since.

Instead of cash, the Saudis paid in oil – initially set at 400,000 barrels a day, which soon increased to 500,000 as the oil price weakened.

The oil was paid into a central fund in the UK, controlled by a Saudi Arabian project office at the ministry of defence. The oil was sold on the market at the project office's discretion, and BAe could draw on the funds as it met milestones in the project.

Since the contract was started in 1986 it has brought in more than £2bn a year to BAe. Because the oil revenues were sometimes insufficient to meet the project costs the fund has twice been topped up with cash – once in 1992 to the tune of £1.5bn.

In 1988 a second contract was negotiated for a further 48 Tornado aircraft and associated training aircraft, as well as a large new airbase at Al Sulayil, which was to cover an area the size of greater London. However, oil prices continued to be weak and the plan for the air base was eventually dropped.

As a result of budgetary pressures the second deal was not signed until January 1993, just six months before the Tornado production line was due to close. It was initially for the 48 ground attack Tornado aircraft, with training aircraft to follow. To pay for the extra equipment the daily oil output was increased to 600,000 barrels.

The second batch of Tornado aircraft is due to be delivered between 1996 and 1999, and some of the Hawk and PC9 training aircraft to go with them were ordered at the Farnborough Air Show last month.

BAe remains confident that Britain will retain a strong defence link to Saudi Arabia. The company even hopes to sell the Saudis its newest Eurofighter in time. Al Yamamah III, however, is still a long way off.

Press Association

Mark Thatcher leaving Downing Street during his mother's term as prime minister. Lady Thatcher yesterday defended the arms deal which allegedly earned her son £12m as "properly negotiated"

Lottery tickets on sale next month

By Raymond Snoddy

Tickets for the National Lottery are to go on sale for the first time on November 14 - just six days before the first multimillion-pound weekly draw.

The £1 tickets will be available initially at about 10,000 outlets all over the UK.

As well as announcing the date for the launch of ticket sales, Camelot, the consortium operating the National Lottery, also announced the introduction of a new tier of weekly prizes of about £100,000.

Until now there was an enormous gap between the likely first prize of as much as £2m and smaller prizes ranging from £10 to about £1,500.

The new prize, inserted to increase interest, will be awarded on the basis of drawing an additional numbered ball. To win the first prize a lottery player must correctly choose six numbers out of a total of 49 in any order.

A player who has chosen five of the correct numbers will be able to win a £100,000 prize if the seventh produces the missing correct number.

Mr David Rigg, a director of Camelot, said yesterday: "The bonus number adds to the excitement and should increase the number of big winners on the National Lottery each week." The consortium brings together the food and drinks group Cadbury Schweppes, computer company ICL, the security printer De La Rue, Racal Electronics and GTech, the US manufacturer of lottery equipment.

The special computer terminals needed to play the Lottery will be located in high street stores which range from Tesco and J. Sainsbury to W.H. Smith and Woolworth and in petrol stations such as Esso and Shell.

It is hoped the lottery will raise about £9bn by the year 2001 for five "good causes" – the arts, charities, a millennium fund, national heritage and sport.

Pre-conference speech puts stress on 'independence in Europe'

Major rebuffs Labour threat

By Philip Stephens, Political Editor

Mr John Major last night put defence of the constitution and preservation of Britain's independence in Europe at the centre of his strategy to counter the electoral threat from Mr Tony Blair's Labour party.

On the eve of the official opening of the Tory party conference, Mr Major accused the opposition of "pandering" to Scottish separatism and adopting a "craven" approach to the integrationist ambitions of Britain's European partners.

His comments came as Mr Jeremy Hanley, the newly appointed but already beleaguered Tory party chairman, predicted that this week's Bournemouth gathering would demonstrate the Conservatives' credentials as "the party of government".

Facing evidence of deep unrest among the party's grass roots supporters over the economy and over the government's record on law and order, Mr Hanley told an opening news conference: "Our aim is to produce a permanently stronger United Kingdom and tax cuts will follow".

Mr Major's speech marked a further nod in the direction of the leading figures on the Tory right who see Europe as the defining issue of the "clear blue water" which he has promised to keep between the Conservatives and Labour.

But it will add to the growing concern of pro-European Tories and those on the centre-left who fear that Mr Blair's move into the political centre ground will drive the government towards the right.

Mr Douglas Hurd, the foreign secretary, has warned against the Tories abandoning their chosen political territory in favour of more "extreme" policies. Mr Kenneth Clarke, the chancellor, echoed that sentiment yesterday when he insisted the government would not abandon its commitments to the key public services in order to pay for pre-election tax cuts.

But speaking to the traditional pre-conference dinner of party agents, Mr Major said that Labour's plans for a Scottish assembly were "explosive". By pandering to the Scottish Nationalists, Labour risked a breach similar to that between Quebec and the rest of Canada.

Turning to Europe, Mr Major said that Labour had promised to accept anything proposed by Britain's partners. It meant the opposition could abolish "the pound sterling" just because others wanted them to. He added: "I have never heard such a craven attitude from a serious political party."

He insisted the Conservatives would stick by their principles in the face of the threat from Labour. They included: freedom of the individual, responsible citizenship, an economy built on enterprise, and allowing people to keep more of the money they earn.

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Ministers review response on Ulster

By Philip Stephens, Political Editor

The British government is considering a scaled-down response to the IRA ceasefire in Northern Ireland amid acknowledgment among senior ministers that it may never be given an unequivocal pledge that it is permanent.

The idea that the government should open a "reversible" dialogue with Sinn Féin, the IRA's political wing, will be considered by Mr John Major and cabinet colleagues next week.

Ministers accept that in spite of worrying comments in recent days by senior Sinn Féin officials and of evidence that the IRA is maintaining its military capability, the signs are that the Republicans do intend the ceasefire to be permanent.

A staged response – perhaps involving first the lifting of the exclusion orders on prominent Sinn Féin members and the reopening of indirect contacts – would allow the government to be seen to be responding positively while maintaining the option of withdrawing contacts.

Such an approach would allow the government to test further Sinn Féin's commitment to a permanent peace by exploring whether the IRA was ready to give up its arms and ammunition.

No decisions will be taken during this week's Conservative party conference but ministers are expected to consider a detailed assessment of the situation in the province on their return to Whitehall next week.

The government faces a potentially hostile response to its Northern Ireland policy on Thursday when a number of party activists intend to press for the full integration of the province into the UK.

But Sir Patrick Mayhew, the Northern Ireland secretary, hinted at the change of tack yesterday. He said that the government was still not satisfied that the IRA had halted violence permanently, before adding: "If we are not satisfied at the moment, we do not know for sure that we will ever be."

Speaking in Belfast, Sir Patrick said there had been "encouraging progress" but the government was fully justified in its caution.

He rejected suggestions from Mr Peter Temple-Morris, the Conservative backbench MP, that Mr Major would accept the permanence of the ceasefire soon after this week's conference but did not rule out a more limited response.

Sir Patrick admitted though he was concerned by comments by leading Mr Mitchel McLaughlin, a leading Sinn Féin official, that if the peace process failed and there was no change to present political conditions it was inevitable violence would continue.

Mr Mayhew said: "I think anything that is capable of being interpreted as a threat is extremely worrying."

Eurotunnel service claims good start

By Charles Batchelor, Transport Correspondent

Eurotunnel said yesterday that its shuttle freight service had made a strong start in its first two months of operations, but ferry companies denied that it had made any inroads into their cross-Channel business.

Mr Christian Zbylut, Eurotunnel freight director, said shuttle freight trains had carried up to 350 trucks a day, equivalent to 12 per cent of the Dover-Calais market, and were well placed to achieve the target of 22 per cent of the cross-Channel freight market by the end of next year.

Eurotunnel is offering 34 departures a day in each direction, and this will rise to 50 departures in early December.

The freight shuttle was used by 450 customers on a regular basis last month. Among big customers of the service are Securicor Omega Express International, which has replaced airborne deliveries with tunnel services.

Eurotunnel said it was not challenging the ferries on fares; its prices were 5-10 per cent higher because it offered the advantage of speed and reliability.

However, ferry companies retorted that their freight shipments were increasing. Stena Sealink said there had been no impact on its Dover-Calais and Dover-Dunkirk traffic.

P&O European Ferries said it had carried more than 44,000 trucks between Dover and Calais last month, 26 per cent more than in September last year.

Britain in brief

Daewoo to sell direct to public

Daewoo, Korea's second biggest carmaker and the world's 33rd largest business group, is to sell its cars direct to the UK public from its own "supermarket" sites – complete with cafés and qualified nannies to look after prospective buyers' children.

Daewoo's £150m experiment starting in March aims to eliminate independent dealers completely, using instead a network of 30 "Vision 2000" superstores backed by another 100 wholly owned or leased service and used car sales centres, is believed to have no precedent.

By stripping out a profits tier and taking advantage of its purchasing muscle Daewoo appears ready to mount a significant challenge to traditional car retailing.

Ex-soldiers seek probe into tests

Former soldiers yesterday launched a campaign for an independent medical inquiry into chemical weapon tests on human subjects in military laboratories.

Thousands of servicemen have been tested with chemical agents such as nerve gas and mustard gas at the Chemical Weapons Establishment at Porton Down, western England, according to the newly formed Porton Down Volunteers' Association.

It says increasing numbers of the men are complaining that the experiments have damaged their health. The former soldiers are demanding compensation and urging the government to admit that the tests were harmful.

The Ministry of Defence insists that there is no evidence that the health of any servicemen has deteriorated as a result of participation in the experiments.

ScotRail aims to recoup loss

ScotRail, which operates most passenger trains in Scotland, yesterday launched a series of marketing initiatives aimed at replacing revenue lost because of the signalworkers' dispute.

Mr Chris Green, managing director of ScotRail said the company's revenue from fares was down by £8m because of the 18 days of strikes in the past three months.

To win back lost passengers ScotRail is promoting a two-for-one offer running until the end of November under which applicants obtain a free voucher for a second person if they pay for one ticket for travel anywhere in Scotland.

ScotRail has launched an executive ticket to promote first class accommodation on services linking Aberdeen with Edinburgh and Glasgow. The return ticket costs £49 instead of £96.

Eight other promotions are planned to boost train travel in the winter months.

Reinsurers counter claims

Two of the world's largest reinsurance companies yesterday moved to counter suggestions that they would pick up a substantial part of the bill for damages won in UK courts by lossmaking members of Lloyd's of London.

Figures released by Munich Re and Swiss Re suggested that the sums they will pay out on professional liability policies taken out by the Lloyd's agencies being sued will be far less than hoped by many of the worst-hit Names.

Although few details about the underwriting and reinsurance of such "errors and omissions" policies have been revealed, the figures indicated that a larger proportion of damages than previously thought might have to be funded from within the London insurance market. As a result, Names may fund a larger proportion of their own damages bills.

Berry case is dropped

The Department of Trade and Industry yesterday dropped proceedings against Mr Tony Berry, the former chairman and chief executive of the Blue Arrow employment services group, which sought to have him disqualified as a company director.

More than two years after the DTI applied to the High Court for the disqualification – and half an hour before Mr Berry was scheduled to appear in court for a procedural hearing – Mr Michael Heseltine, trade and industry secretary, said the department would not continue.

The department said it was abandoning the case, initiated in September 1992 when investigators published the results of a probe into Mr Berry's leadership of Blue Arrow, because legal counsel had advised Mr Heseltine a disqualification would be difficult to obtain.

Rising cost of raw materials fuels fears of rising inflation

By Gillian Tett, Economics Staff

The cost of raw materials used by British manufacturers rose significantly last month, as the recent surge in world commodity prices pushed up the price of imported materials.

Coffee, copper and pulp prices all rose sharply, although the cost of crude oil purchased by manufacturing fell slightly during the month.

The rises fuelled fears that there could be price pressures in the pipeline which might push up the current low UK inflation rate.

The cost of goods leaving factory gates last month rose at a relatively subdued rate, suggesting that many companies are still being forced to absorb the rising costs themselves.

The Central Statistical Office said yesterday that the price of goods purchased by manufacturing industry rose by a seasonally adjusted 0.7 per cent last month and by 5.7 per cent in the 12 months to September.

The rise was larger than the City had expected. In August the annual growth rate was 3.9 per cent.

The cost of goods leaving factory gates increased by 0.2 per cent in September, however. Measured without the volatile elements of food, beverages, tobacco and petroleum, output price inflation grew by a seasonally adjusted 0.4 per cent in September and by 2.1 per cent over the 12 months.

The prices of imported materials, especially commodities like coffee and copper, rose particularly sharply. Consequently, the sharpest price increases were reported in manufacturing sectors with a greater exposure to world commodity prices, like pulp and paper, metals, rubbers and chemicals sector.

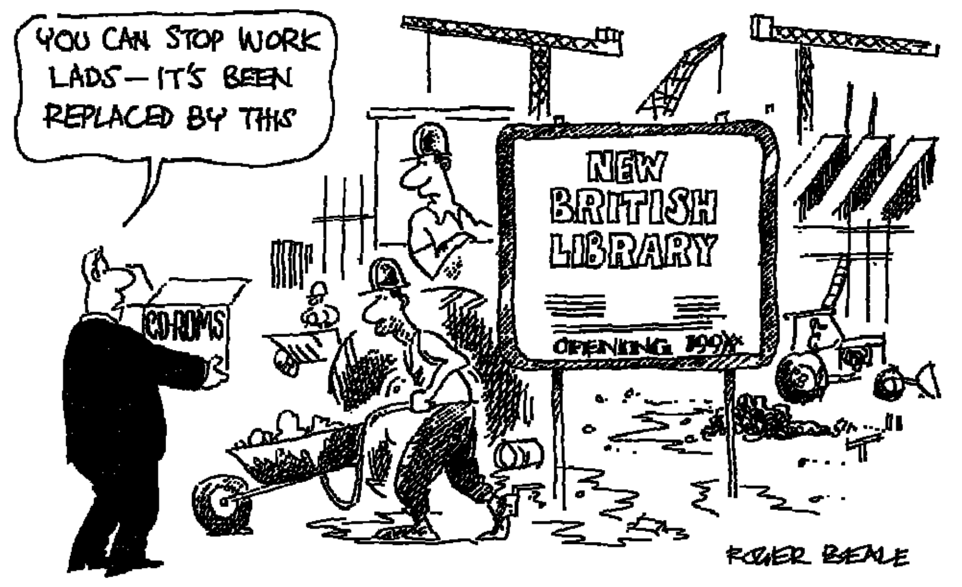
The Treasury said yesterday that the underlying inflation trends remained very benign. "This is a sharp price increase, but it is from a pretty low level," it said. In addition, any rise in material costs should be partly offset by the fact that unit wage costs – the key component of business costs – had fallen slightly.

Nevertheless, City economists yesterday pointed out that last month's rise had come after several months of increases in output costs.

Some analysts suggested that this indicated that companies were increasingly seeking to pass on the recent price increases.

However, others argued that customer resistance to price increases remained strong and warned that recent surge in commodity prices might squeeze corporate margins in highly commodity dependent sectors.

TECHNOLOGY



A model range

CD-Roms are making life easier for a number of businesses, writes **Vanessa Houlder**

At its Face of 1994 competition at the Grosvenor House last week, Storm Management became the first UK model agency to put its portfolio on CD-Roms, small plastic discs on which vast amounts of information can be stored and retrieved.

The CD-Roms, which showed 250 models (six images of each), together with some video clips, were given "a tremendous response" by the photographers and casting directors present, according to Simon Chambers, a Storm director.

Instead of thumbing through a bulky catalogue, Storm's clients are now able to search the database looking for models that meet a particular criteria such as height or hair colour. Moreover, the CD-Rom is cheaper to mail than Storm's glossy brochure, allowing the agency to send out quarterly updates.

The model catalogue is one example of the way in which CD-Rom technology is making inroads into business. An expanding range of business CD-Rom titles are being produced by companies for their own use and by external publishers.

Many large companies now have CD-Rom libraries which stock annual reports, newspapers, legal information, market research and reference works, as well as producing their own discs for marketing or training purposes. Although specialist discs can cost thousands of pounds, prices can be less than £1 a disc for companies printing them in large volumes.

Within businesses the potential for CD-Roms is most likely to be seen in sales departments, which are keen to exploit the ability to combine text, video, sound and graphics.

"Sales people are clamouring for multimedia presentation tools," says Todd Harris, editor-in-chief of CD-Rom World, a magazine based in Westport, Connecticut.

Training departments are also enthusiastic users of CD-Roms. For example, in April 1993, Abbey National, the UK building society, replaced computer-based training with CD-Rom training packages because of their stronger visual impact and their interactivity.

Hyster Europe, the forklift truck distributor, has distributed training information on CD-Rom to dealers throughout Europe. It found that even small workshops were prepared to invest in the hardware to use the discs. "There was far less resistance than we initially expected," says Roy Jackson, dealer support co-ordinator.

CD-Rom technology also allows companies to present vast amounts of information in a manageable and revisable form. Price Waterhouse, the accountancy firm, uses quarterly-updated CD-Roms to alert its staff to changes in accounting and legal regulations throughout the world.

Many companies are putting their technical manuals on CD-Rom. The RAC has invested £500,000 in storing its patrol teams' technical manuals on CD-Rom using Panasonic "electronic book" players.

The discs, which replace 30m sheets of paper a year, are able to store extra information, including local car dealerships and members' entitlements. Because patrols no longer have to carry bulky manuals, they are able to fit in an extra part or passenger into a car. Pilot trials suggest also that the electronic books are easier to use, allowing patrols to fix more faults at the roadside.

The proliferation of CD-Rom titles is also fuelled by publishers. Mecklermedia, a publisher based in London and Westport, Connecticut, which produces a directory, *CD-Roms in Print*, calculates that the number of published titles has reached nearly 6,000, up from 3,500 last year.

Many of these titles use the immense storage capacity of CD-Roms to accommodate large databases, telephone directories and mailing lists on a single disc, which makes them a useful tool for direct marketers.

Training packages are also popular, with titles such as the *New Dynamics of Winning* and *The Secrets of Executive Success*. Another category of CD-Roms are those which provide graphics to help with desktop publishing and business presentations.

Detailed information on companies and industries is also available – for a price. For example, Kompass UK, with details on 140,000 top companies, costs £4,200. Pira International, the UK paper and packaging industry's research association, has launched a disc that includes market statistics, company profiles and new products for £2,570 a year.

Many of these CD-Rom titles run on Windows or Macintosh, which are relatively easy to use. However, many discs aimed at the business market are known as "professional" CDs, which often have complicated command structures. Some discs have limited access, either in the number of times it is used or the length of time it can be used.

The number of available titles is likely to increase as CD-Rom players are more widely used. At present, only 7 per cent of PCs installed have CD-Rom players, according to Primary Research, a New York-based company.

"Although the total number of CD-Roms is small, we expect to see an explosion in their number," says Harris.

The surge in the amount of information available from CD-Roms and on-line information services is giving businesses quicker and easier access to more information than ever before. But at the same time, it is making the task of sifting and filtering the data more acute.

"People are beginning to feel distressed by the volume of data sources available to them. The major challenge now is managing the provision of information," says Toby Stephens, a senior manager at Price Waterhouse's technology group.

Christopher Parkes on AEG's plans for high-performance batteries for electric cars

Charged up for zero emissions

In an upstairs room in AEG's Berlin works in Sickingenstrasse, a trainee robot is making a hash of inserting a strip of metal into a stainless steel tube. Its minder frowns, tweaks a button, makes a note. The automaton tries again, misses, and bends the strip into an elegant "J".

It is one of a dozen or so in the early stages of programming for a venture into high-performance battery manufacture, which the loss-making Daimler-Benz subsidiary hopes will give it a charge of profitability in the budding market for electrically-powered passenger cars.

The robot stands at the front of a fully-automated, DM20m (£8.1m) pilot assembly line producing sodium/nickel chloride cells for assembly into batteries weighing up to 300kg.

AEG claims it is the first company in the world to start series manufacture of high-performance batteries. Despite widespread scepticism about the weight, efficiency and high prices of electric drive technology for road vehicles – a 300kg battery is expected to cost DM15,000 – it plans to stay ahead of the rest. The intention is to build a full-scale plant to make 15,000 so-called Zebra batteries a year, opening in 1998.

Zebra – zero emission batteries research activity – is the first fruit of a joint venture dating back to 1988 between AEG and the South African Anglo American Group, which owns the technology patents.

The initial aim of the project was to produce power sources for fork-lifts, diesel-electric vehicles and stationary units, but the project has gained momentum following Californian legislation that insists that as of 1998, at least 2 per cent of car makers' sales in the state must be zero-emission vehicles. At current registration levels, that represents 20,000 cars a year. The quota is scheduled to rise to 10 per cent by 2003.

AEG says the batteries deliver up to four times more power than conventional lead-acid units

Test results and support from vehicle makers have also been encouraging. On a weight-for-weight basis, AEG says the batteries deliver up to four times more power than conventional lead-acid units. In tests on the flat Baltic island of Rügen, its power packs have proved capable of providing up to 150km range between charges.

Considering that they have been tested in conventional heavy car bodies, AEG feels this is pretty good. It claims that vehicle manufacturers agree, noting that of the 60 test cars of various makes scooting silently around Rügen, 31 are fitted with Zebra power packs. Trials also show that the batteries can be recharged up to 1,500 times – exceeding the vehicle makers' minimum requirement of 1,000 – and are good for more than 100,000km.

In its own modest way, the Zebra project contributes to Daimler-Benz's tarnished ambition of becoming an integrated technology group, drawing together skills and technologies from disparate sectors of the concern.

The batteries' metal parts and pressings come mainly from Mercedes-Benz. The core element – a special aluminium hydroxide ceramic electrolyte – is made by a group subsidiary in the UK. Assembly techniques for such materials are a particular speciality of the Sickingenstrasse works, which manufactures more workaday filled-ceramic products such as capacitors for fluorescent light fittings.

Customers for the pilot plant's output of 450 batteries a year include Adam Opel, BMW, Toyota and, naturally, Mercedes-Benz, AEG's more successful sister company, although none has yet ordered commercial-scale deliveries.

Creating false images

The latest software makes it possible to alter photographs digitally, says **Geof Wheelwright**

Forget the adage that the camera never lies. The latest generation of image editing software makes it possible to alter photographs digitally so well that it is virtually impossible to spot the change.

This technology is creating an entirely new image-editing industry – and raising legal and social questions. Time magazine recently drew criticism over a digitally altered photograph of O.J. Simpson, the US football star accused of murder. Critics said the altered picture made him look menacing.

Vancouver-based Western Pro Imaging Labs has launched a service for divorced people called DivorceX that allows them to digitally "cut out" their ex-spouses from family photos. Keith Guelpha, the company's president, says the gaps are filled in with elements of the existing background. It is also possible to place a new partner in the photo once a former spouse has been removed.

The technology is standard off-the-shelf equipment – a personal computer, a good colour scanner, some powerful image-editing software and the ability to output to photographic paper, film or colour laser devices.

Unlike traditional methods of re-touching photographs, which require considerable skills, in digital image editing most of the hard work is done using a system costing only a few thousand dollars.

Photographs can also be altered to change features – people can be made thinner, fatter, or younger. They can acquire a firmer chin or lose a scar.

"A normal person would never be able to tell the difference," says Guelpha. "If it's a good picture to start with, the blending is seamless."

With the advent of digital photography (using products such as Apple Computer's QuickTake digital camera), the "real" image may never even hit photographic paper before it is edited on the computer screen. The image, stored digitally in the camera's memory, can be transmitted directly into a PC.

The industry itself is conscious of the potential for misuse of digital imaging. For example, "polishing" photographs throws doubt on the legal use of photographic evidence.

Guelpha says he takes care to ensure his digitally-altered photographs are for legal purposes only.

BUSINESS AND THE LAW

New faces on the bench

EUROPEAN COURT

The European Court of Justice has been re-constituted. Six members have retired, one has moved from the post of advocate-general to that of judge, and three new judges and three new advocates-general have been appointed. None of the appointees, announced last week, were women, leaving the Court once again all male.

One of the Court's first tasks was the election of its president. Spain's Judge Rodriguez Iglesias was chosen to replace the retiring Judge Ole Due. Judge Rodriguez Iglesias was an academic prior to joining the Court in 1986.

The new judges are Antonio La Pergola, Jean-Pierre Puissochet and Gunter Hirsch, together with Claus Gulmann, who moved from advocate-general to judge. The new advocates-general are Georgios Cosmas, Philippe Leger and Michael Elmer.

The new appointees come from a variety of legal backgrounds, but all have judicial experience in their own countries.

Community preference in the banana market lawful

In one of the last judgments of the old Court, the European Union's "common organisation" (CO) of the banana market was held to be lawful in spite of the preferential treatment given to traditional banana-producers from African, Caribbean and Pacific (ACP) countries.

The CO banana market was established in 1993. Prior to the CO's formation, member states followed different rules on banana imports. Some states placed restrictions on non-EU or non-ACP bananas, others did not. Germany, in particular, imported bananas from non-ACP sources. Because of structural deficiencies in their markets, EU and ACP bananas were more expensive than those from third countries.

The CO set up a quota system under which traditional ACP producers enjoyed duty-free access to the EU market for a specific quantity of bananas. Quotas were also established for bananas from third countries and non-traditional ACP producers. All third-country bananas were subject to import duties, while banana imports from non-traditional ACP producers were liable to duty once the relevant quota had been exhausted. The effect of these changes was to increase the price of bananas in, for instance, Germany. As a result, Germany lodged an application to annul the quota system.

Germany alleged that the new system had led to procedural violations. These included the Council of Ministers' adoption of regulations which were contrary to the European Commission's original proposal, without first receiving a modified Commission proposal.

The Court ruled the Commission had agreed to a modified proposal being put before the Council; the fact that such an agreement was not in writing was irrelevant. The Court said the EU's legislative process was characterised by an informality which was necessary if a convergence of views was to be achieved between the EU's institutions. However, this approach was not relevant to actions which directly concerned individuals, for which strict rules were necessary.

Germany also alleged there had been breaches of the Rome treaty, such as those those relating to the provisions on agriculture as well as the principle of "non-discrimination" and "proportionality".

The Court said the agricultural objectives of the Rome treaty had to be seen in the context of the EU market as a whole, not in the context of a single member state.

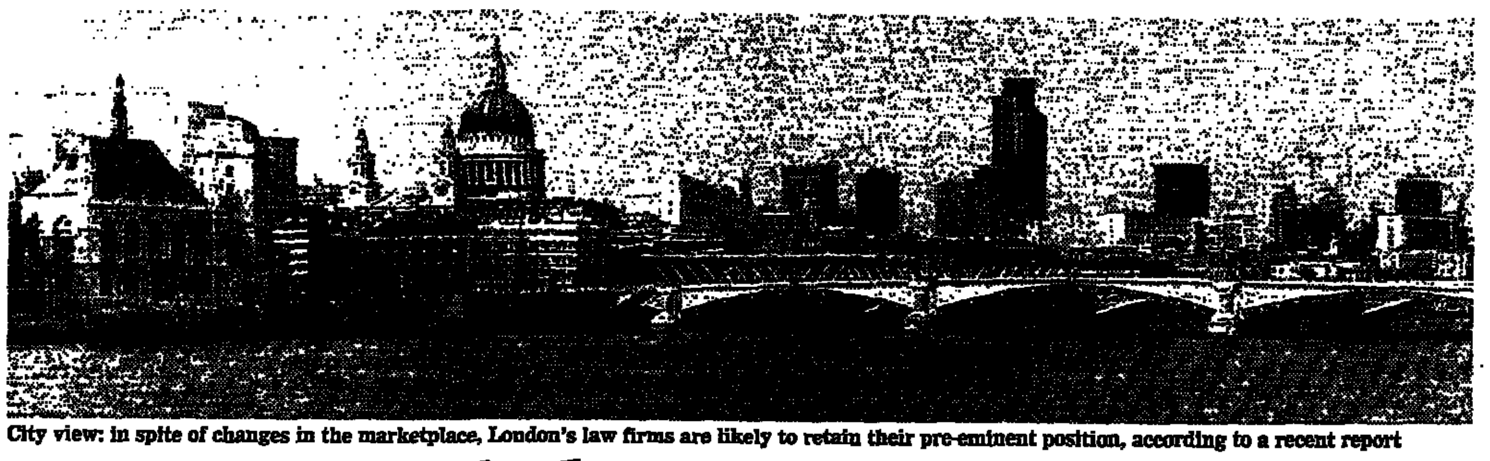
On the issue of non-discrimination, the Court ruled that although the new system treated banana importers differently, such differentiation was inherent in the CO's objective of integrating previously closed national markets.

On proportionality, the Court found that although other methods of attaining the same goals could not be ruled out, on the particular issue of the adequacy of the measures taken, the Court could not substitute its views for the Council's.

Germany also alleged breaches of the Lome Convention for trade with the third world, the General Agreement on Tariffs and Trade and the banana protocol for the EU's overseas territories. None was upheld.

C-280/93: Germany v Council, ECJ FC, 5 October 1994.

BRICK COURT CHAMBERS, BRUSSELS



City view: in spite of changes in the marketplace, London's law firms are likely to retain their pre-eminent position, according to a recent report

Advantages of the City

Robert Rice investigates London's competitive edge in legal services

As London's commercial law firms climb slowly out of recession, they appear to be facing a period of great uncertainty and change.

A spate of aggressive hiring of English lawyers by large US law firms has left many wondering whether they are facing increased competition in the commercial legal market from a new breed of multinational partnerships. Others are concerned by the interest being shown by the six large accountancy firms in legal services. Many medium-sized commercial firms, in particular, are left wondering where precisely, if anywhere, they fit into this brave new world.

A report*, on the competitive advantage of law and accountancy in the City, should provide them with some comfort. The report, by Professor John Kay, chairman of economic consultants London Economics, was published on Friday as part of the three-year City Research Project. The project, set up last November by the Corporation of London, the local authority for the City of London, and managed by the London Business School, is designed to look into London's competitive position in international financial services.

Prof Kay concludes that the future structure of the commercial legal services market will not change greatly. The competitive advantage enjoyed by City law firms is based on factors which will be sustained and are sustainable, says the report.

Prof Kay's starting point was to ask whether the structure of the legal services industry is different from other professional services industries, such as accountancy.

A quick comparison between law and accountancy shows the markets are different. Accountancy is dominated by the Big Six partnerships and produces an international product similar to manufactured products such as cars. The legal market is fragmented and the product is basically national in character. City law firms derive almost 50 per cent of their turnover from non-UK clients, but the product they export is English law.

Turnover figures for the top 20 accountancy firms and law firms in the UK in 1993 illustrate the point. The Big Six accountants had a combined turnover of about of £2.5bn – or a market share of 80 per cent – and the 14 second-tier firms a turnover of just £511m. In law, the top six firms had a turnover of £844m, only slightly more than the second-tier firms' £756m.

The City's law and accountancy firms are pre-eminent internationally. But their approaches to delivering international services differ.

There are basically three models of internationalisation, according to Prof Kay. The first is epitomised by aircraft maker Boeing, which, from a large domestic production base in Seattle, exports its products around the world. The second model is represented by General Motors, which operates and sells in different places around the the world – a model based on global production and local sales. The third model is typified by Hertz car rental, where the product is global but mainly produced and sold locally.

Accountancy, he says follows the Hertz model – international firms attach their names to local products and local producers, with most of the benefits going to the local partner. Probably less than 25 per cent of the revenues of City accountancy firms originates overseas.

Legal services are closer to the Boeing model. City law firms export legal services from London, with most of the benefits returning to the UK and the firms based there.

The reason for the difference in the structure of the two industries lies in the nature of their products: in particular, legal services and audits. Audits are unusual, he says, because regulations force companies to have them. The incentives of the purchaser are not the same, therefore, as in legal services.

In legal services, the purchaser is looking for the best product in the marketplace or the best product for its current needs. Quality and expertise are the most important factors for clients.

In accountancy, adequacy not excellence is the priority, he says. Accountants provide services that meet the standards required at local levels and make no differentiation between products.

The reasons for buying legal services are more diverse and more related to local need. That does not mean clients are not concerned with value for money. But they do not buy legal services because regulations force them to. They buy because they need them.

Given that the legal services industry has a different structure from other professional industries, does it need to change to succeed in the 1990s?

Prof Kay says not. In spite of the increasing internationalisation of many professional activities, the majority of legal advice is still provided by law firms which concentrate on their domestic jurisdiction.

The demand for legal advice in relation to international financial market transactions is mostly directed to English and US law firms, whose common law systems are best suited to the purpose. English and US firms also have substantial experience of international transactions and are big enough to cope with complex deals.

Since law firms operate in a transaction-based market, the strength of City law firms in respect of international financial deals lies in the competitive environment they can offer to clients around the world. This is provided by the English legal system, the pre-eminence of London as a financial centre, and their reputation for efficiency in handling documentation.

The competitive advantages enjoyed by the large City law firms – a *de facto* monopoly on English law and their location in London, where a large number of primary international financial institutions are based – are unlikely to vanish overnight, says Prof Kay.

There is therefore unlikely to be any significant change in the structure of the legal services market in the near future. There may be some further moves towards internationalisation, but if firms do open overseas offices it will generally only be where their expertise and reputation acquired in London offer a unique selling point.

Prof Kay says there may be further concentration of law firms, but this will not be rapid as the base is too fragmented and there is little demand for larger law firms.

The threat from US firms is overstated, he says. In the short term, there is little prospect of US firms hiring lawyers of sufficient standing to pose a threat to the practice of English law by English firms.

The future of large City law firms, therefore, seems secure – at least while London maintains its prominence as an international financial and commercial centre.

**The Competitive Advantage of Law and Accountancy in the City of London, from Corporation of London, Guildhall, or London Business School, Sussex Place, London NW1*

LEGAL BRIEFS

First cases clarify role of Efta Court

The kind of issues which will occupy the Efta Court, set up to settle disputes relating to the European Economic Area Agreement, are becoming clearer, as the Geneva-based tribunal takes on its first cases.

The Swedish Supreme Court has asked it for a ruling on the application of Swedish procedural rules in a case brought by a UK company against Swedish defendants.

The Supreme Court wants to know whether requiring the UK company to provide security for costs – a deposit of money against legal costs if the company loses – is contrary to the EEA Agreement, and in particular the prohibition of discrimination on grounds of nationality, since no corresponding requirement may be imposed on Swedish nationals.

Two cases concerning television advertising in Sweden have also been referred to the Efta court by the Swedish Market Court. The Market Court has asked for an advisory opinion on whether the EEA agreement and the EU directive on "Television without frontiers" prevent action being taken against TV advertisements shown in Sweden but transmitted from elsewhere in the EEA.

UK charges most

International Financial Law Review's guide for 1995 to the world's top 1,000 law firms confirms that the UK remains the most expensive commercial legal market in the world. Partners in top City firms charge up to $560 an hour and top commercial barristers $800 an hour.

Japan is the second most expensive legal market with leading law firm partners charging $550 an hour. In the US top partners charge up to $400 an hour.

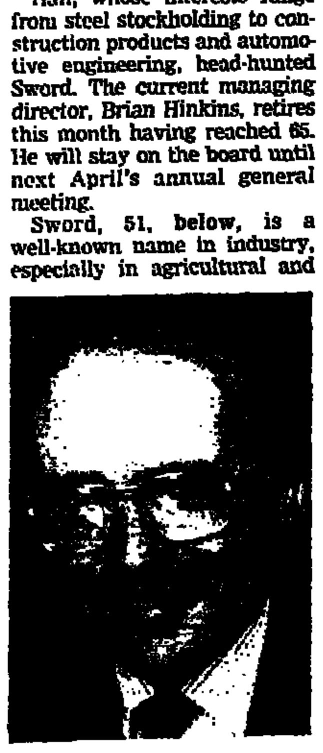
PEOPLE

Sword gives edge to Hall's board

John Sword, former chief executive of Massey Ferguson, has joined the board of Hall Engineering (Holdings), taking over as managing director of the Shrewsbury-based group on October 31.

Hall, whose interests range from steel stockholding to construction products and automotive engineering, head-hunted Sword. The current managing director, Brian Hinkins, retires this month having reached 65. He will stay on the board until next April's annual general meeting.

Sword, 51, below, is a well-known name in industry, especially in agricultural and



construction equipment, after 11 years at Massey. He left the Midlands-based, US-owned tractor maker in July last year and spent several months developing a £230m buy-out of the company from its parent, Varity Corporation.

To Sword's intense disappointment, however, Varity sold Massey this April to Atlanta-based Agco, even though the European investor group led by Sword claimed to be offering a higher price.

Sword has a strong management record from his years at Massey, and in a previous nine-year spell at GEC, where he was managing director of Ruston Diesels on Merseyside.

Appointed to run Ruston at the age of 30, Sword transformed its fortunes, quadrupling sales and restoring profitability.

Scottish food retailer takes life easier

Gordon Baxter is retiring as chairman of Baxters of Speyside, the family soup and jams producer, which he has expanded from employing 11 people in 1946 to a payroll of 600 today. He is handing over at the age of 76 to Joe Barnes, who was joint managing director of the retailer J Sainsbury until 1990.

Baxters' products – such as its well known Royal Game Soup – are made at its base at Fochabers in northeast Scotland. It claims to dominate the premium end of the UK soup market. Last year it had sales of £38.46m, on which it made profits of £3.7m.

Although the business was founded by Gordon's grandfather in 1868, its real growth took place after the second world war. Gordon is considered an inspired marketeer who has built up excellent contacts in the UK food industry, while his wife Ena devised some of the most successful recipes.

The company is 98.6 per cent owned by the Baxter family and Gordon says the tally of takeover approaches he has rejected now stands at 172. "We give them a nice reception, may even take them fishing on the Spey, but send them away empty-handed," he says. He expects the company, which has no debt, to remain in family hands for another generation.

Barnes, 64, will be part time chairman for two or three years and will train a family successor. Gordon says this is likely to be his son Andrew, 35, now group deputy chairman. Andrew's sister Audrey, 33, is group managing director.

Gordon Baxter's retirement will not be restful. He will handle the group's corporate public relations and links with leading figures in worldwide food retailing, as well as supervise the busy visitor centre at Fochabers.

Sir Patrick Sheehy, 64, expected to retire as chairman of BAT Industries in a year's time, has joined the board of Asda Property Holdings, a small property company controlled by the family of Manny Davidson, the founder. The company was named after Davidson's mother, Annie Sara Davidson.

Asda Property has survived the recession better than many property companies and is one of the few not to have lost money. Tony Roscoe, Asda's managing director, said: "We can make money out of property in a static property market but the firm wanted to make sure it did not miss the bigger picture". He added that recruiting Sir Patrick would help reassure the company's outside shareholders.

Sir Patrick takes over from Lord Finsberg, former Tory MP for Hampstead, who retired earlier this year. Sir Patrick already sits on the boards of BP and Cluff Resources.

Sketchley names Jackson as chief executive

John Jackson, 47, who led Richard Branson's unsuccessful bid for the UK National Lottery project, has been appointed chief executive of Sketchley, the dry-cleaning and film processing group with around 800 retail outlets.

Sketchley, which was losing £800,000 a month when it was rescued by Tony Bloom and John Richardson in 1990, has been looking for a chief executive for some time. Richardson, 51, former chief executive of Hong Kong's Hutchison Whampoa, is returning to Hong Kong at the end of the month to work for BZW and Bloom, 55, a former chief executive of South Africa's Premier Group and Sketchley's other deputy chairman, intends to become non-executive after next year's annual meeting.

Jackson, an accountant, worked for Bristol-Myers for 14 years before joining Chesebrough Pond's. In 1986 he was recruited by Virgin's Richard Branson to be his special project director. Two years later was appointed managing director of Body Shop International. In May 1993 he quit Body Shop and rejoined Branson to mastermind Virgin's bid for the UK National Lottery project.

Hickson chooses Hann as chairman

James Hann, the outspoken chairman of Scottish Nuclear, has taken the helm at Hickson International following the speciality chemical company's six-month search for a successor to Sir Gordon Jones.

The 61-year old Wykehamist, below, will remain part-time chairman of the state-owned nuclear power company, but is expected to spend two days a week with the Castleford-based chemicals group.

"His understanding of the safety management culture and policies of one of the UK's major nuclear companies will be of great value," said Sir Gordon, 67, who announced his

decision to retire in March.

Hickson refused to disclose details of Hann's package or whether it would match the £60,000 paid last year to Sir Gordon, who is also chairman of Yorkshire Water and The Water Industries Association. By comparison, the Scottish Nuclear chairman earned £34,439.

Earlier this year, Hann criticised the government for slowing Scottish Nuclear's transformation into a more commercial operation.

"Every time our industry tries to move forward it is being halted in its tracks as a result of operating in the public sector," he said at the time.

Before joining Scottish Nuclear in 1990, he was chief executive at Seaforth Maritime, the offshore oil and gas business.

MANAGEMENT: THE GROWING BUSINESS

Cambridge Animation raised equity capital to help market its ground-breaking cartoon animation software

How to nurture smart ideas

Richard Gourlay looks at alternative ways of ensuring that bright inventions reach their potential market.

The Lion King, Walt Disney's latest animated epic, opened last week in the UK with all the hype of a film that has already taken US box offices by storm. Like each new Disney release, the latest extravaganza is packed with ground-breaking techniques to captivate audiences and animators alike.

While *The Lion King*, by most accounts, reinforces Disney's position as the world's pre-eminent animator, a small UK company, Cambridge Animation Systems, hopes it has developed new software that will dramatically change the way many cartoons are made.

Apart from the cleverness of the software, now surrounded by patents, Cambridge Animation has taken one crucial step. It has recognised there is little value in developing a wonderful new product if it cannot reach its market and support it. As a result the company will today announce it has raised £500,000 of new equity from venture capitalists 3i, to add to £300,000 raised earlier this year from Jafco, Japan's largest venture capital group, and the company's original institutional investor, Korda & Co.

"One of the reasons products are jeopardised is that entrepreneurs are not prepared to raise enough money to get the product to market," says Ruth McCall, one of three founders of Cambridge Animation.

The three founders set about developing the Animo suite of products in late 1990 when they saw that automation had hardly touched the production of two-dimensional cartoon animation.

While some companies were using software to computerise the simplest and most repetitive part of the process – the "in-betweening" where pen and ink are used to colour hundreds of different acetates – no one had attempted to computerise the whole process while leaving the animator room for creativity.

As a result, many animators ship work to studios in the Philippines, Vietnam and China where there is a significant labour cost advantage but where control of the process and quality is greatly reduced. Animo says its product will remove the cost disadvantage and increase quality, helping to repatriate animation work to Europe.

The Animo software is being assessed by Nelvana of Canada and Warner Feature Films, which are about to computerise parts of their animation studios. In the case of Warner, Cambridge Animation is up against US Animation in Los Angeles and Soft Image Co in Montreal, both of which offer software which McCall claims does less of the animation process.

But a year ago they needed more cash to support the product, to introduce it at trade shows and open sales and maintenance offices in the US and Japan. Hence, the £1m of new capital.

Cambridge Animation's strategy for developing and exploiting its idea was fairly traditional – a straight approach to investors. But there are also a number of government initiatives designed to increase the rate at which high-tech ideas are developed and commercialised.

At a European level, the Commission's Value programme aims to disseminate the results of European Union funded research and to exploit its potential across borders and across industries. The programme, administered through 27 Value Relay Centres – four in the UK – is part of the Third Framework programme of research and technological development, which is due to be upgraded in December.

One beneficiary of the programme is Oxford Computer Services, a software developer and IT consultancy set up by university academics. For the past three years, the company and nine European partners have been collaborating on a Ecu3m (£2.36m) project to develop engineering software that aids the design and increases the applications of computer co-ordinated manufacturing techniques.

The so-called MCOES system is being used by Valmet in Finland, which manufactures paper-making machinery, but otherwise the consortium had no customers.

"We had the software but it was a long way from workstations and being packaged," says J.O. Thomas, director of Oxford Computer Services. "So we approached the Value programme. We asked them to look for end users – factories where it might be installed – and we asked can MCOES be used for existing Cad-cam companies?"

As a result of the introduction from Technology Broker, the Cambridge-based Value Relay Centre, Oxford Computer Services is negotiating to install its system at Cosworth Engineering, manufacturers of car engines. And it has been put in touch with EDS Unigraphics, part of the giant US computer services group now a subsidiary of General Motors.

"The Technology Broker has been extremely effective," says Thomas. "This has been a genuine attempt to try to fill the gap between the invention process and having a product people can buy."

Jean-Noel Durvy, the Commission's co-ordinator of the Value programme, expects ministers at the Research Council in early December to approve a replacement for the Value programme under the Fourth Framework. This will combine the goals of Value and the Sprint programme, which focuses on encouraging technology transfer in the community.

The previous Value programmes were limited to EU funded research. But the new programme is expected to have a budget of about Ecu290m over five years and will attempt to encourage the dissemination and exploitation of any community-based research through an expanded network of Relay Centres.

Government support is also available at a national level. In the UK, the Department of Trade and Industry offers support at two stages during an idea's development. Its Smart awards – the Small Firms Merit Award for Research and Technology for companies with up to 50 employees – first helps the development of ideas with grants awarded through regionally-based competitions, and then offers a large second grant to help commercialisation.

Since the Smart awards were launched in 1986, more than 1,000 companies have been helped through the regionally-based competition and the DTI has given grants of £66m. A similar Spur award – Support for Products Under Research – is available to companies with up to 250 employees and has provided £36m of assistance to more than 400 projects since it was launched in 1991.

This kind of programme of support has been widely applauded. One Newcastle-based company, Novocastra Laboratories, says it could not have developed without Smart.

The company was set up by Professor Wilson Horne, professor of pathology at Newcastle University. It has won seven Smart awards to develop and commercialise its process for the manufacture of monoclonal antibodies used by research establishments worldwide. After seven awards the DTI has said it will not be winning any more competitions.

Brian Angus, another academic and director of Novocastra, says the support from the university, which took only 20 per cent of the equity, was crucial. But so was the Smart programme. "There was very strong financial support through Smart for the development of new ideas to a point where it might be commercialised," says Angus.

"Most of the things they have funded have yielded a commercial return. It has been a great help to a company that started with no commercial capital."

Novocastra is expecting sales of £1m this year from the 20 products it has developed and the 200 it sells on behalf of others.

While the DTI and – increasingly – the EU are becoming more aware of the need to commercialise the fruits of Europe's intellectual capital, some of their efforts remain bureacratic.

McCall recalls an approach Cambridge Animation made to the EU Cartoon Initiative, part of the Commission's effort to support the union's audio-visual industry. Cambridge Animation asked for funding for a studio to make a cartoon feature film using an early version of its software.

Eighteen months later – when Cambridge Animation had already completed most of the development work – McCall says the Cartoon Initiative came back with the idea that it would "fund a study" of the uses of new technology in the animation industry.

Some officials trying to support the commercialisation of products still have to learn that "late" is rarely better than "never" in fast moving global markets.

Europe's single market can provide a rescue route for companies

Forging links of survival

In its heyday in the late 1980s, Pershke Price Service, a privately-owned distributor of printing machinery in the UK, had sales of more than £70m and employed 340 people. Then, as with many companies in the printing industry, recession hit with a vengeance. Plans to list on the USM were put on the back-burner. The workforce was cut by one-third, sales halved and the company is only now profitable again after losses in two of the last three years.

But this week the prospect of a considerably brighter future for PPS came with the announcement of a significant merger, made possible by the opening up of Europe's single market.

After nearly a year of delicate talks led by accountants KPMG, PPS and seven other mainly family-owned European companies have formed a new company – Omnigraph Group NV – in the Netherlands. It will have annual sales of £250m.

The group will initially combine all the operations of its eight member companies, which already all distribute MAN Roland equipment; they will expand to sell pre-press and post-press equipment from other suppliers. Also, to reduce dependence on equipment sales, which experience has shown are highly vulnerable during recession, Omnigraph will place greater emphasis on sales of consumable items such as rollers.

Chris Marks, until the merger the chief executive of PPS and now one of three directors on Omnigraph's executive board, says the new company will have an international network similar to those run by the competition.

The main distributor for MAN Roland's large competitor, Heidelberger, already operates through a single European distributor, Dutch-based Buhrmann-Tetterode.

"A lot of our customers are investing in the graphic arts business across borders," says Marks. Customers do not want to talk [to their distributors] country by country."

The move also gives PPS's shareholders – the Werkmeister family and Montagu Private Equity – a considerably increased chance of floating the company. "One of the major driving forces behind creating a European company of this size is the intention that we will go to the market in three to four years," says Marks.

The driving force behind the merger was the creation of Dutch paper giant KNP BT, which was formed early last year when KNP, Buhrmann-Tetterode and VRG amalgamated. This merger gave KNP BT a stake in distributors of both MAN Roland and Heidelberger equipment, which together had more than 80 per cent of the Belgian and Dutch market, a situation the European Commission would not allow.

KNP BT responded by injecting its interests in the Dutch and Belgian distributors into Omnigraph, where it will play no part on the executive board.

Corporate financiers say, however, that the gradual arrival of a level playing field in Europe may make similar transnational mergers more common and give private as well as quoted companies something to consider.

Many companies – like PPS – suffered both volume and margin falls in the recession. While volume might be returning, retrieving margin may be more difficult. This is particularly true in the printing machinery industry, where Japanese distributors quickly built market share when established European press manufacturers could not meet demand in the 1980s.

The only way they might be able to regain margin is by exploiting synergies by combining stocks of parts and engineering support.

For controlling families, the prospect of the loss of control is not easy. "It is a break of a long family tradition," Marks says. "But in today's world it is difficult for family businesses with high capital requirements to maintain long-term independence."

Richard Gourlay

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Ref: Edward Cook or Nick Hancock

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For further information contact the Joint Administrative Receiver, Paul Jeffery, KPMG Peat Marwick, Aquis Court, 31 Fishpool Street, St Albans, Hertfordshire AL3 4RF.
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LEGAL NOTICES

No. 5985 of 1994

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
JLI GROUP PLC

-and-

IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 12th September d1994 presented to Her Majesty's High Court of Justice for the cancellation of the share premium account of the above named Company.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday 19th October 1994.

Any creditor or shareholder of the Company desiring to oppose the making of an Order for the confirmation of the said cancellation of share premium account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

Dated this 11th day of October 1994

Nabarro Nathanson
50 Stratton Street
London
W1X 5FL
Tel: 071 493 9933
Ref: IA.TRL/113.V68

Solicitors for the Petitioning Company

THE INSOLVENCY ACT 1986

Notice of appointment of joint administrative receivers

Name of company: Montage von Dach und Wand Limited. Registered number: 2580816. Nature of business: Construction services. Date of appointment: 30 September 1994. Names of joint administrative receivers: C.J. Hill and C.K. Rayment. Office holder numbers: 6726 and 6775. Address: Ernst & Young, Compass House, 80 Newmarket Road, Cambridge CB5 8DZ.

PERSONAL

A memorial service will be held at St. Bridges Church, Fleet Street on Tuesday 8 November 1994 at midday to celebrate the life of David Warren, The City Printing Consultant.

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ARTS

Impressionist view of social realism

Despite his bourgeois reputation, **William Packer** finds the work of Gustave Caillebote full of surprises

In his proper character as a painter, Gustave Caillebotte is perhaps the least well-known of all the Impressionists. A few particular images – the huge "Paris Street in the rain", of 1877, from Chicago's Art Institute, for example, with its forced perspective and grey-suited figures under grey umbrellas, stark against the wet, bright *pavé*: or the Musée d'Orsay's "Parquet layers", of 1875, the workmen kneeling and stretching to their planes in strong silhouette against the reflective floor – have alone sustained a curiosity as to whatever else he might have done.

But fate conspired against him, not in any single regard, but in perverse combination. He died comparatively young – this year marks the centenary of his death at the age of 45 after a career of barely 20 years. He was well-off – so much so that he was able to put together a notable and pioneer collection of the work of his Impressionist friends. He then left his collection to the state.

Not all of it was accepted, but some 40 works were finally picked out, of Cézanne, Manet, Degas, Sisley, Pissarro, Monet, Renoir ... They include such famous plums as Manet's "Balcony", Monet's "Gare St Lazare", Renoir's "Bal du moulin de la Galette" and his most delicious nude, who sits in dappled sunlight beneath the trees. Thus Impressionist painting came into the French public collection for the very first time.

But all this left poor old Caillebotte's own reputation rather up in the air. His dealer, Durand-Ruel, did give him a memorial show in the summer of 1894, and a couple of his best things – the "Raboteurs de parquets" and a view over roofs in the snow – were also given to the state by his heirs, but all too soon the name of Caillebotte the painter gave way to that of the dilettante, the amateur, the benefactor.

No doubt, had he lived, his weightier *oeuvre* would have redressed the balance. Other painters have enjoyed private means but have then been less sociable and urbane. Other painters have died young, but in circumstances more fraught or tragic. Caillebotte, perhaps, was simply too normal a bourgeois, too open in his interests and unextreme in taste and temperament, to be taken that seriously.

He was admittedly an uneven artist, a function, perhaps, simply of inconsistency of application. Clearly much of his work was done in intermittent bursts of activity that settled on particular themes or visual interests, albeit sustained over considerable intervals – the *raboteurs*, the life of the streets, industrial development and urban renewal, rowing and sailing, the garden in the country, the *grands boulevards*, the still-life.

But, uneven or not, episodic or not, the work is unmistakeable in its essential quality and interest. And it is full of surprises. Comparisons are inevitable – with Renoir in the soft, tactile modelling of the figure; with Degas in the radical liberties taken with the composition; with Monet and Manet on the river and Pissarro in the fields and gardens – but always Caillebotte remains his own man, with a view of the world that is entirely his own.

A little younger and a later starter than his fellows, he retained rather more thoroughly than they, perhaps, the academic influences of the Ecole des Beaux Arts. His compositions were conscientiously worked out, squared up from preliminary drawings, the figures studied in isolation, details noted. And there is something, too, of the social realism of the Salon in the contrast he draws between the bourgeois and the working life, and in his interest in the modern, changing city, with its iron bridges and Haussmann's wide new boulevards.

The ironies of workmen laying expensive parquet, or a bourgeois, *au paysan*, working his kitchen garden, were surely not lost on him. Yet there is no polemic to it, none of a Millet's romantic self-identification, or a Pissarro's socialist agonisings. His cooler detachment is quite his own.

His vertiginous perspectives were new, and look how the tracery of the balcony itself becomes the near-abstract subject of the picture. Look down at the island refuge in the middle of the *carrefour*. Look down upon the tree below, and the circular grating at its base, and the bench beside it, set out like a map. There is a freshness of vision here, an unselfconscious originality that should be recognised. Near and far are what fascinate him, the figure set on the balcony against an infinite distance, the fists of the oarsman thrust up to the picture-plane, the tiny figures glimpsed through the ironwork.

But how well, at its best, it is done, how fresh in the paint, how crisp and lush the chrysanthemums, how strong the oarsmen in the modelling, how light the snow on the rooftop. Here surely is a true painter seen clearly at last, and seen whole, in his own right. Was he the first to look down on the boulevard far below, to make the balcony a subject in itself, to remark the dignity of labour, to take a boat on the river? No: but it hardly matters. In the end, as always, it is painting as painting that counts.

Gustave Caillebotte 1848-1894: Grand Palais, Paris 8me, until January 9, then on to Chicago.

'Intérieur: femme à la fenêtre', 1880 by Gustave Caillebote

Opera

Maria Stuarda

It is surprising that nobody north of the border has thought of bringing together a mini festival of the best-known Scottish operas. Not operas by Scottish composers of course, as there are not enough; but those early 19th-century Italian operas set in Scotland, which were so popular at a time when anything wrapped in tartan was fashionable.

The leading contender has to be Donizetti's *Maria Stuarda*, however diluted its Scottish blood may be. Schiller wrote the play, traducing historical facts as he went, and there is no local colour in either the music or the drama. At times, one could be dealing with the stock characters that people most of Donizetti's historical operas, except that between them composer and dramatist did create a genuinely noble and suffering personality for their heroine, Mary Stuart.

It is a shame that Scottish Opera should have given her one of its least convincing productions of recent seasons. Donizetti follows Schiller by making a fictitious confrontation between Mary and Elizabeth I the high point of his opera and Stefanos Lazaridis's production never lets us forget it: a revolving platform centre-stage is divided with Mary's door on one side and Elizabeth's on the other, each popping out as the occasion demands, like figures in a weather clock.

When Elizabeth swings into view, we know stormy weather is on the way. The soprano Michiè Nakamaru lets fly at the role wildly and gives more than her voice – not a large or lustrous instrument – might reasonably be expected to deliver.

In contrast, the appearance of Mary forecasts placidity. Yvonne Kenny in the title-role gets all the best music and treats it with due care, shaping lines thoughtfully, shading the voice sensitively (except at the top, where the tone becomes harsh). History's Mary Stuart was haunted by many ghosts from the past, but anybody singing the role in Britain today need fear only one: Janet Baker, whose performances in the 1970s are stamped on the memory of all who saw them. Kenny is not in that league. Her Mary Stuart was sometimes touching, sometimes beautiful, but never memorable.

There is a reasonable supporting cast. Peter Bronder was best when Leicester was at his most forceful. Stafford Dean was a Cecil who delivered Mary's sentence of death with suitably funereal tone; David Ellis made an adequate Talbot. Richard Armstrong performed a more complete text of the opera than usual and conducted it all with invigorating fervour. Some imaginative decorations would have been welcome in the second verses, but this was not primarily an evening for fans of trills and scales.

Lazaridis's intention (as producer and designer) was to give the audience something to think about, a course which can backfire with Donizetti. Too many arty ideas – like "shadow queens" running about playing Mary and Elizabeth in their youth – can sink a bel canto opera under the weight of their own cleverness. Better just to play the opera as it stands. Never mind about history. Donizetti rarely did.

Richard Fairman

Sponsored by the Peter Moores Foundation. At the Theatre Royal, Glasgow, until November 8, then on tour to Newcastle and Edinburgh

Theatre/Ian Shuttleworth

Get Off My Foot!

No fictional examination of stage comics and death can ever hope to achieve the bizarre and disconcerting pitch of the late Tommy Cooper's demise – literally, leaving them laughing. In their latest collaboration *Get Off My Foot!*, Phelim McDermott and Lee Simpson attempt simultaneously to muse on the offstage agonies of funny men, to acknowledge various figures and double acts from the heyday of variety and to exploit their joint talent for creating work which mixes laughs with sporadic weird shivers.

From the beginning, Dougie Mason and Stanley Hardcastle make a strange double act, not least because Dougie is dead (the show also recognises the influence of *Randall and Hopkirk Deceased*). A series of flashbacks recount key moments in their personal and professional relationship, enlightening the amnesiac Dougie as to how and why he died. Dougie (McDermott) is revealed as the demon of the pair: callous and single-minded, not hesitating to fake a terminal disease if it will help him talk his way inside the sequinned leotard of the new girl in the chorus. Tensions between him and diligent but unambitious "nice lad" Stanley come to a head when the alluring but independent Angel (Linda Dobell) joins the act.

McDermott and Simpson's slightly disconcerting visual imagination is given form by Alice Purcell's design. The only clearly-defined location is a *trompe-l'oeil* rooming-house upstage, whose collapsible furniture and missing walls offer enormous scope both for gags (Dougie proves he is a ghost by walking through the fourth wall) and for violence. Supernatural effects are enacted using scale models of the house and puppet protaganists, and are executed with a wry self-consciousness which, by deflating such moments, paradoxically makes them easier to swallow.

The snatches of Dougie and Stan's stage act (on which variety comedian Len Lowe acted as adviser) are polished but unexceptional examples of the form. Programme notes make much of the show's debt to 1940s *Lancastrian jester Frank Randle*: his shade is written into the show as the guardian angel of dead comics, and even its title derives from one of his catchphrases. Randle, though, has long been a fashionable name for heritage-minded comedians to drop, and *Get Off My Foot* is both more and less than a full-blown tribute either to him in particular or to past comedy acts in general.

Like Dougie Mason, the piece itself exists in a strange theatrical limbo. McDermott and Simpson's devised, clowning style is more familiar in a studio setting, but the conventions of variety and the sheer physical resources necessary for this production require a theatre the shape and at least the size of Nottingham's Playhouse. When clowning company The Right Size made a foray into middle-scale shows recently, its members found that the change of size coarsened and attenuated both comic and sinister effect in their work, and have now triumphantly returned to the top end of the studio bracket with a double-act confection of their own. *Get Off My Foot* walks a fine line between these two areas; the fact that it holds its own in these surroundings testifies to its creators' precision in realising their ideas. After all, bashing someone around the head with a frying pan can be a surprisingly delicate matter.

At the Nottingham Playhouse until October 22 (0602 419419).

Concerts/David Murray

Mahler and Mutter

As Michael Tilson Thomas's Mahler cycle at the Barbican approaches its mid-point, we begin to have a clear overview of this conductor's strengths and foibles. The former outweigh the latter by far, but Mahler shows everything up, since he was a master conductor-composer.

On Sunday (and Monday) the London Symphony played the Fourth for him. It has a dewier, more innocent surface than Tilson Thomas could make plausible: TT never twinkles. The first movement, with its sleighbells, pranced and curvetted artfully, every moment of it calculated to the hilt. The same anxious care, applied to the great Poco adagio – here a *Molto adagio* – left it gluey. TT lacks the gift of his master, Leonard Bernstein for drawing "natural" playing from his orchestra; they sounded thoroughly practised, hardly ever spontaneous.

Yet the Scherzo was dazzling, kaleidoscopic. TT revelled in bringing out lines – a bassoon melody here, a string of *pizzicati* there – that nobody else uncovers; the score churned with excitement. For the finale he had the soprano Renée Fleming as soloist: lovely singing, but the voice is really too womanly-mature for the child's-eye *Wunderhorn* sentiments. Earlier, she had delivered Schubert's "Shepherd on the Rock" with such fine grace as to make it seem almost a good piece, abetted by Nicholas Rodwell's elegant clarinet and TT at the piano.

That was part of a strange mixed first half, comprising Morton Feldman's *The Viola in my Life IV* and a John Tavener premiere, *The Myrrh-Bearer*. Yuri Bashmet was the peerless viola soloist in each. The Tavener is much the usual mixture, with a semi-chorus whispering "Kyrie Eleison" over and over again beneath repetitive shouts from the main chorus, while the viola goes floridly up and down a couple of scales for well over half an hour.

Bashmet made that sound almost interesting. He did as much for Feldman's solo part, which plays almost continuously for 20 minutes while the orchestra does Feldman's customary thing: deliberately, polemically low-profile, apparently quite unstructured.

★

Two nights earlier, Anne-Sophie Mutter's violin recital in the same hall had been remarkable chiefly for the height of her stiletto heels, surmounted by a slinky black number. Miss Mutter is of course a performer of the highest professional competence, and in the right repertoire – passionate virtuoso stuff – she wields a scathing authority. Here, however, she essayed Beethoven's last sonata, op. 96 in G, and Schumann's second-last, his op. 121 in D minor: the one mostly gentle and reflective, the other lean and dramatic but formally patterned.

Her way with the Beethoven was to play it all sweetly, declining to read any particular character in it. A "soft, oleaginous mutter" indeed, though with a very fast, sentimental vibrato applied to everything. Her svelte Schumann had plenty of energy – but a work so full of repetitions should not have them all repeated with such literal exactitude. A touch of waywardness is a bonus in this sonata.

Aftersong, a workmanlike piece composed for Miss Mutter by the American Sebastian Currier, gave her – and her excellent pianist Lambert Orkis – bold things to do. Its heart remained in Samuel Barber territory, its nerves recalled Walton; Messiaen surfaced later on. There was more red-blooded music in the suite Stravinsky arranged from his *Pulcinella*, pastiche though it partly is. They played not the familiar arrangement for Dushkin, but an earlier, more virtuosic one Stravinsky made for Szymanowski's violinist Paul Kochanski: and they delivered it with engaging flair.

Sunday's LSO concert sponsored by the Sunday Times.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Concertgebouw Tonight: Yevgeny Svetlanov conducts Russian State Symphony Orchestra in works by Prokofiev and Skryabin, with violin soloist Vladimir Spivakov. Tomorrow, Fri (Kleine Zaal): Moscow Quartet plays string quartets by Mozart, Stravinsky and Brahms. Thurs: Shoko Sugitani piano recital. Fri, Sat, next Tues: Serge Baudo conducts Netherlands Philharmonic Orchestra in Tchaikovsky, Prokofiev, Messiaen and Debussy. Sun: Roberto Paternostro conducts Württemberg Philharmonic in Mendelssohn, Grieg and Beethoven, with soprano Kari Lövaas. Next Mon, Wed: Frankl, Pauk and Kirshbaum trio (24-hour information service 020-675 4411 ticket reservations 020-671 8345)
Muziektheater Tonight, Fri: Graeme Jenkins conducts Jürgen Flimm's production of Le nozze di Figaro, with cast headed by Joan Rodgers and Dean Peterson (continues till Oct 30). Tomorrow, Thurs, Sat: Parsons Dance Company (020-625 5455)

■ BRUSSELS

Palais des Beaux Arts Isaac Stern gives a violin recital tomorrow. Enrique Diemecke conducts Belgian National Orchestra on Thurs and Fri in works by Wagner, Weber and Bruckner, with clarinet soloist Jean-Michel Charlier. Antonio Pappano conducts the Orchestra of the Monnaie on Sun in a Mahler programme, with vocal soloists Florence Quivar and Gösta Winbergh (02-507 8200)
Monnaie Antonio Pappano conducts Achim Freyer's new production of Tristan und Isolde on Wed, next Tues and Sat, with cast headed by Ronald Hamilton and Anne Evans (02-218 1211)
Théâtre National Tony Kushner's play Angels in America (first part: Millenium Approaches) runs daily till Oct 19, except Sun and Mon (02-217 0303)

■ CHICAGO

Lyric Opera The main event this week is the first night on Sat of Fedora, starring Mirella Freni and Placido Domingo (runs till Nov 10). Tomorrow's performance is The Rake's Progress - a new production staged by Graham Vick and conducted by Dennis Russell Davies, with Jerry Hadley, Ruth Ann Swenson and Samuel Ramey (till Oct 28). The final performance of Boris Godunov is on Fri, with Samuel Ramey in the title role (312-332 2244)
Chicago Symphony On Thurs, Fri, Sat and next Tues, James DePreist conducts works by Stravinsky and Mozart, with piano soloist Misha Dichter. On Sun afternoon, Anthony and Joseph Paratore play piano music for four hands (312-435 6666)

THEATRE
- The Sisters Rosensweig: a touring production of Wendy Wasserstein's hit Broadway comedy about the mid-life reunion of three Jewish sisters from Brooklyn. Opens tonight (Shubert 312-902 1500)
- Angels in America: the national touring production of Tony Kushner's two-part epic is directed by Michael Mayer, with Jonathan Hadary as Roy Cohn (Royal George 312-988 9000)
- A Clockwork Orange: the American stage premiere of the stage version of Anthony Burgess' novel (Steppenwolf 312-335 1650)
- Laughter on the 23rd Floor: Neil Simon's newest comedy about the golden days of live TV comedy (Briar Street 312-348 4000)
- Later Life: A.R. Gurney's lovely ruminative play about finding romance after the age of 40 (Northlight 312-327 5588)

■ GENEVA

Grand Théâtre A ballet programme, including a new work by Oscar Araiz and a new version of John Neumeier's Spring and Fall, runs daily till Mon, except Thurs when Peter Schreier gives a song recital (022-311 2311)
Victoria Hall Andras Schiff gives the second of two Bach recitals tomorrow (022-310 9193)
Comédie The Royal Shakespeare Company presents Christopher Hampton's adaptation of Les Liaisons dangereuses daily till Sat. Michael Attenborough directs a cast including Julie Bramall, Lucinda Curtis, Helen Lindsay, David Curtiz and Clive Wood (022-320 5001)

■ ROTTERDAM

De Doelen Thurs, Fri: Eri Klas conducts Rotterdam Philharmonic Orchestra in works by Tomis, Bruch and Strauss, with violin soloist Mark Lubotsky. Oct 20: José Carreras (010-217 1717)

■ VIENNA

- Pierre Boulez conducts Ensemble InterContemporain tonight at the Konzerthaus in works by Berg, Webern and Schoenberg. Margaret Price gives a song recital tomorrow. Murray Perahia gives a piano recital on Fri, followed by Oleg Maisenberg on Sat. Eliahu Inbal conducts the Vienna Symphony Orchestra in Stravinsky and Sibelius on Sun morning (712 1211)
- This week's concerts at the Musikverein feature the Austrian Radio Symphony Orchestra on Fri conducted by Heinrich Schiff, and the Royal Liverpool Philharmonic with Libor Pesek on Sat. Next week's visitors include the Danish Radio Symphony Orchestra and the Gothenburg Symphony Orchestra (505 8190)
- The Staatsoper is closed till Dec 14 for technical alterations. A State Opera Ballet production, based on Lehar's Merry Widow and choreographed by Ronald Hynd, can be seen in repertory at the Volksoper, where a new staging of Nicolai's comic opera Die lustigen Weiber von Windsor opens next Mon (51444 2959/51444 2969/513 1513)
- Riccardo Muti conducts seven performances of Roberto de Simone's production of Così fan tutte at Theater an der Wien, starting Oct 30 (58885)
- This year's Wien Modern contemporary music festival runs from Oct 23 to Nov 28, and focuses on Morton Feldman, George Crumb, Helmut Lachenmann, Karl Schiske and Günter Kahowez (7124 6860)

■ WASHINGTON

MUSIC/DANCE
- The Australian Ballet presents the Nureyev production of Minkus' Don Quixote tonight, tomorrow and Thurs at Kennedy Center Opera House. On Fri, Sat and Sun, the company presents a mixed bill of works by Australian choreographers (202-467 4600)
- Richard Hickox conducts the National Symphony Orchestra on Thurs, Fri and Sat at Kennedy Center Concert Hall. The programme includes Mozart's Piano Concerto No 21 (Sara Wolfensohn) and Elgar's Enigma Variations (202-467 4600)
- Yo Yo Ma plays cello concertos by Dvorak and Elgar with the Baltimore Symphony Orchestra on Thurs, Fri and Sat at Baltimore's Joseph Meyerhoff Symphony Hall (410-783 8000)
- Baltimore Opera presents Verdi's Rigoletto from Oct 15 to 23 at Baltimore's Lyric Opera House (410-625 1600)

THEATRE
- Defending the Caveman: this is a one-man show written by and starring American comedian Rob Becker, using humour to help define the differences between the two genders. Opens tonight at the Warner Theater, till Oct 23 (202-432-SEAT)
- The Cherry Orchard: Chekhov's drama is directed by Irene Lewis at Center Stage. Till Oct 30 (410-332 0033)
- Henry IV: this adaptation of Parts I and II of Shakespeare's history plays is directed by Michael Kahn, in a Shakespeare Theater production at the Lansburgh. Till Nov 6 (202-393 2700)
- The Odyssey: Homer's tale adapted for the stage by Derek Walcott and directed by Douglas Wager at Arena Stage. Till Nov 6 (202-488 3300)
- A Perfect Ganesh: Terrence McNally's play about two New England matrons on a personal quest journeying through India. Till Oct 30 at the Kreeger (202-488 3300)

■ ZURICH

Opernhaus Tonight, Fri: Ralf Weikert conducts Ruth Berghaus' new production of Katya Kabanova, with cast headed by Ana Pusar, Cornelia Kallisch and Peter Straka (six further performances till Nov 5). Tomorrow, Sun: La Cenerentola. Thurs: La belle Hélène. Sat: revival of the Ponnelle production of Entführung, conducted by Nikolaus Harnoncourt. Mon: Peter Schreier song recital (01-262 0909)
Tonhalle Tomorrow: Heinz Holliger conducts Tonhalle Orchestra and Anton Webern Chorus in concert performance of Schumann's Genoveva (01-261 1600)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Into the EU's arms

Hugh Carnegy on Finland's bid to join the European Union

Finland looks set to vote to join the European Union on Sunday, in a referendum that will not only mark an historic shift in its own regional allegiance, but which could prove a turning point in the enlargement of the Union.

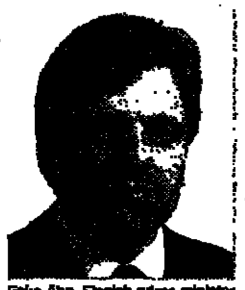
A Yes vote would represent a decisive move by Finland away from cold war neutrality and into the west European fold. After the deepest recession since the 1930s, many Finns hope it would also bring substantial economic benefits.

But more important, as the first of three referendums on EU membership in the Nordic countries, the Finnish vote may influence the outcomes in neighbouring Sweden and Norway.

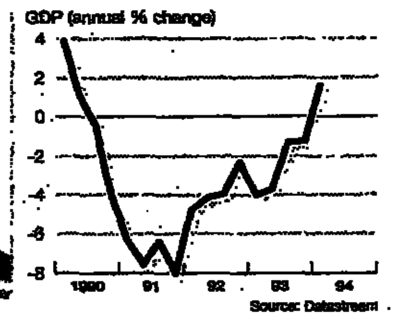
Austria has already voted in a referendum in June to join the EU. But there have been strong doubts over whether the people of the three Nordic neighbours would agree with their leaders on the desirability of membership.

The sequence of Nordic referendums was therefore deliberately staged to start with Finland, where opinion has tended to be the most pro-EU. The hope is that a Finnish Yes will encourage Sweden to opt for membership, in its November 13 vote, and even overcome the formidable anti-EU ranks massed in Norway, where voting takes place on November 28.

Finland: hard times, hard choices



Esko Aho, Finnish prime minister



If all four applicants accept membership, the EU will be expanded from 12 to 16 members on January 1, and the way will be clear for its next great expansion – into eastern Europe. Already last week, the European Commission was asked by EU foreign ministers to draw up a detailed report on how Hungary, Poland, the Czech Republic, Slovakia, Bulgaria and Romania could be integrated into the EU's single market ahead of their full membership.

But this scenario would be seriously disrupted if the Nordic countries were to turn their backs on Brussels, and the Finnish campaign has not been a smooth ride for the Yes camp.

The leading party in Finland's centre-right coalition government, the Centre party of prime minister Esko Aho, has been deeply divided over EU membership.

It is the party of Finland's farmers, and the farmers, through their union the MTK, have bitterly opposed joining the EU, because of the reduction in agricultural prices and subsidies that membership would bring. The MTK is outraged that membership could see parts of Finland receiving less farm support than more prosperous farmland elsewhere in the EU.

This has prompted open opposition to EU membership among influential Centre party members such as Mr Paavo Väyrynen, who was foreign minister when Finland began its membership negotiations with Brussels.

Mr Aho has, however, managed to retain official Centre party support for membership, chiefly by pushing through a FM4bn farm support package to cushion farmers against the shock of joining.

But EU supporters – led by the Centre party's main coalition partner the Conservative party and the opposition Social Democrats – have become increasingly confident of a Yes vote not because the farmers have been mollified, but because they believe voters are being persuaded by the broader economic and strategic gains of membership.

A detailed study of attitudes towards EU membership by the Centre for Finnish Business and Policy Studies last month showed that while voters were concerned about the negative impact of EU membership on social issues – with 44 per cent believing it would affect healthcare negatively, against just 3 per cent – most voters believed membership would benefit the economy.

This belief is made more potent by the depth of Finland's most recent recession. Between 1991 and 1994, the economy shrank by 13 per cent – partly due to the loss of privileged trade with the Soviet Union. Unemployment has risen to almost 20 per cent of the workforce, ranking with Ireland and Spain as among the highest in Europe.

Finland already complies with the bulk of EU economic and trade policies as a member of the European Free Trade Association. But full membership of the EU would mean taking on board the Union's agricultural policy as well, which could harm Finland's farming sector. EU advocates argue, however, that membership is vital to a broadly-based economic recovery.

Membership would help Finland attract both the internal and inward investment needed to re-establish long-term growth and bring down unemployment, they argue.

"In a small economy such as Finland's we have learnt that what you can determine on your own is not much and is getting narrower all the time," says Mr Pekka Ahmavaara, leader of KEY, a joint trade union campaign for a Yes vote. "All the research shows membership is a better solution for economic growth than staying outside."

Finnish voters seem persuaded. Some 64 per cent of voters in the CFBPS study believed EU membership would enhance export and foreign trade, with just 5 per cent believing the opposite, while 39 per cent expected EU membership to improve foreign investment, compared with 11 per cent against.

They also seem convinced of the strategic benefits of membership, with 49 per cent indicating that "as a neighbour of unstable Russia", the country would be more secure within the EU, as against 27 per cent who believed the opposite.

"We need to stabilise our international position," says Mr Paavo Lipponen, leader of the Social Democrats. "That is the most important thing after the changes in Europe. And the economic costs of staying outside the EU have grown higher because of European integration."

Mr Risto Volanen, working for the No side, says that as an EU member, Finland would be forced to identify with western security and defence policy, which could be provocative to Moscow. "I am worried we are putting ourselves on the chessboard in such a way that we are not in control of the moves that are made," he says.

But the government is adamant: "The mere fact that we are members will give security without us having to make any new military arrangements," says Mr Pertti Salolainen, minister for foreign trade. "If you are a member of the EU you are untouchable because the Union could never accept any aggression against one of its members."

The signs are that this view sums up the feeling of a majority of Finns. They may not be filled with much Euro-enthusiasm, but a deep sense of defensive pragmatism should be enough to make voters accept the biggest change in Finland's international alignment since 1945.

Joe Rogaly

Cracked from side to side

If the Conservatives establish "clear blue water" between themselves and Labour this week, they will drown in it. Few tears would roll down the nation's cheeks. The anti-government majority would be well pleased. Thinking Tories, who are more numerous than appearances suggest, might tell themselves that a spell of opposition would be the most constructive way to spend the last few years of the century.

"Clear blue water", a Tory cliché, has become a term of political discourse. It implies a stance distinct from, and usually to the right of, the opposition. Mr Michael Portillo, the chief of the liberal-nationalist faction of his party, is one proponent of the transparent azure liquid strategy. The assumption is that, if he were to be elected paramount chief of the Conservatives, he would rule with a firm hand, and lead us towards minimalist government, the reassertion of family values and the protection of national sovereignty.

He would doubtless create a forcefield somewhere in the middle of the English, or more accurately Franco-British, Channel. The latter would be maintained at a strength sufficient to protect us from continental European influences. Romantic xenophobes and market worshippers would delight in such a party. The rest of us could enjoy the frisson of watching it flounder.

That might have been the consequence of last October's Conservative conference in Blackpool, in which Mr John Major, then perceived to be in danger of defenestration, leaned heavily to the right. The ministerial speeches were nearly all in the same direction. As to this year, we must wait. The prime minister is not about to be overthrown. Some of his colleagues, such as Mr Kenneth Clarke, have kept their sights on what the electorate expects. "I am certainly not going to go back on our election commitments to the great public services and start making cuts that go beyond cutting out waste," the chancellor said yesterday.

The Tory convention, which begins in Bournemouth this morning, is likely to be preoccupied with the growing strength of the Labour opposition. What to do? The choice must be agonising. Some urge a further rightwards turn, towards what Mr Tony Blair has memorably designated "planet Portillo"; others a return to the centre à la Clarke; yet others that ministers should henceforth do very little and say nothing startling.

It would be a pity if the Tories won again. They need to go into the wilderness and contemplate their past and our future

The latter is a sensible approach. It is compatible with Mr Clarke's persistent theme, which is that only a prolonged period of "good government" will get the Conservatives out of the deep hole in which they find themselves. If two more years of economic recovery and low inflation are crowned with pre-election tax cuts, the voters may be gulled again.

That would be a pity. The Tories need to go into the wilderness and contemplate their past and our future. *Conservative Century**, a sympathetic new history, tells us how the party has found itself in government twice as often as its opponents. Mr Robert Waller, one of the score of contributors, reminds us that since 1900 it has won 13 of 24 general elections outright, and done very well in four others. Mr Anthony Seldon writes that "either standing alone or as the most powerful element in a coalition, the party will have held power for 70 of the 100 years since 1895". There is no mystery about how this was achieved. "The Conservative party's greatest strength has flowed precisely from its determination to reflect public opinion. Where it lost touch, ignored it, or was slow to adapt . . . it was denied power."

That is why its proper role is to lose next time. As a mirror of popular expectations, the party is cracked from side to side. It would be unfair to place all the blame for this on Mr Major and his colleagues. Most of us are bewildered by the conundrums of post-communist capitalist society: how much to be done by government, how much privately; how to reduce unemployment; what measures are necessary for survival in the global economy. But Labour showed in Blackpool that it is searching for popular answers. The Tories have arrived in Bournemouth in factions.

Nowhere is this more the case than over Europe. Professor Keith Middlemas, another contributor to *Conservative Century*, writes that the Single European Act can be seen in part as a response by the Conservative government of the day to pressures by leading corporations to open up previously closed European markets. For financiers and industrialists, he argues, "sovereignty, law and state power are no longer conceivable in strictly national terms". Not for the first time, he concludes, "the party lags behind". Mr Major addressed Tory agents in Bournemouth last night. He accused Labour of pandering to Scottish separatists, and rolling over in Europe. It was sharply phrased, and it promised no catch-up.

The proposition that a few years of opposition would provide productive reconsideration time for the Tories is rejected by Mr Daniel Finkelstein, director of the Social Market Foundation, a think-tank. Mr Finkelstein has been in post-Reagan/Bush America. The Republicans, he writes in SMF Memo No 9**, are more divided, leaderless and lacking in coherent ideas than ever. Some want to retrench the US welfare state; some are deregulators and tax-cutters; others preach the US version of "back to basics"; yet others are protectionists and isolationists. A synthesis is "more likely to emerge in government as politicians struggle to implement a programme in diverse departments and are bound by collective responsibility", writes Mr Finkelstein.

In Britain, the opposite is true. The Conservatives are in government, and yet in difficulties because they are divided, not strongly led, and wanting in coherence. Worse, after 15 years of uninterrupted power, they appear to be falling victim to Acton's dictum. British corruption is not traditionally of the sort that puts money in pockets, but the alleged and proven transgressions of this code are becoming too numerous to ignore. A prolonged dip in the translucent briny might do more than untangle the Conservatives' thinking. It might clean up their act.

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LETTERS TO THE EDITOR

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Explanation of what will do the trick

From Mr Mark Corney.

Sir, Two sound bites still echo from Labour's debate on the economy. First, shadow chancellor Gordon Brown's commitment to "use every possible measure" to achieve full employment. And, second, GMB general union leader John Edmonds's obvious point that the "minimum wage is meaningless without full employment".

Clearly, Brown must tell the electorate whether he thinks investing in skills and increasing the capacity of the economy are sufficient measures to achieve full employment without pay inflation. If he does, then presumably he thinks the UK's increasingly flexible labour market will curb pay inflation (as the economy moves towards full employment), an inheritance which he must credit the present government for.

However, if he does not think that a combination of investing in skills, boosting industrial capacity and highly flexible labour markets will do the trick, perhaps he might explain the "measure" which will.

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Well equipped for investment

From Peter Robinson.

Sir, Once again the leading UK industrial associations are pressing a case for better fiscal incentives to stimulate investment ("Industry leaders press Clarke for investment Budget", October 10). In doing so they point to the lower investment levels in the UK relative to most other industrial countries in the past 30 years.

This is a correct observation. Gross domestic fixed capital formation as a proportion of gross domestic product in Britain averaged 18 per cent over the period 1960-89, when compared with the OECD average of 22 per cent. However, all of this shortfall was a result of lower levels of investment in UK residential and non-residential construction. Investment in equipment and machinery as a proportion of GDP averaged 8.5 per cent over this period, compared with an OECD average of 8.7 per cent, and 8.8 per cent in France and 8.6 per cent in Germany. Thus, there has been no dramatic shortfall in the UK in the volume of equipment investment.

Yet it is higher equipment investment which is usually postulated as being most likely to make a contribution to higher long-run productivity growth. This is the variable favoured by the "new growth economics" currently popular with the Labour leadership, and by the industry associations. There may indeed be a case for looking again at the tax system to see if there are any biases against equipment investment. However, the level of equipment investment is not obviously the area where Britain has trailed significantly in recent decades.

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Hard to identify 'duty'

From Mr Andrew Warren.

Sir, The duties of the director-general of Ofgas are specified unequivocally in the Gas Act 1986. The present director-general, Clare Spottiswoode, chose to emphasise their limitations most emphatically when she decided to repudiate the agreement made by her predecessor to provide funding for the government's Energy Saving Trust, as being outwith her remit.

However, you quote Clare Spottiswoode ("MPs to speed up gas deregulation probe", October 4) as saying that she has a "duty" to warn the government that indecision regarding possible new legislation for deregulating the gas market might damage the interests of those considering entering this market. That "duty" is not easy to identify in the 1986 Gas Act.

One can only hope that her latest definition of her duties also allows Ms Spottiswoode to reconsider the damage that Ofgas's *volte face* on funding the Energy Saving Trust has done, to the interests of those operating within the energy efficiency market.

Andrew Warren,
director,
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Arguments the same

From Mr E J C Album.

Sir, In the Lex column, powerful arguments were advanced in favour of the rationalisation (by merger) of the US rail network ("US railroads", October 7). The comment was made that the "fragmented rail network is an immense burden on the US economy. It drives up costs. . .and prevents the sector winning business from road haulage. Rationalisation would also allow rail companies to cut duplicative headquarters, rail routes. . .".

Forgive me for quoting so much. The reason is that the arguments apply with equal, indeed greater force, to the forthcoming fragmentation of the British Rail network. Would it not be sensible to call a halt before further costs are incurred and the network is actually broken up.

E J C Album, *solicitor*
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No evidence favouring car supermarkets

From Professor Jonathan Brown.

Sir, In your editorial on the European Commission's decision on the block exemption for the car dealer system ("Brussels' foot on the brake", October 6), you appear to assume the present system is more expensive and offers less choice and convenience to consumers than possible alternatives, notably some form of car supermarket. The evidence does not support these assumptions.

A typical UK car dealer retains less gross profit margin before his expenses than the large grocers make as net profits: the total asset turns of the two industries are broadly similar. As margins are driven down by the fierce competition between dealers and manufacturers, selling new cars is close to being intrinsically unprofitable; there is very little scope for reducing prices on the back of lower costs.

Research in both conventional retailing and the dealer industry indicates that increased outlets would not significantly reduce operating costs. Grocery superstore profit benefits flow more from market power and logistics (that do not apply to the car market) than outlet operating economics. Car supermarkets would use their local market power to raise margins and prices to the detriment of the consumer.

There is no reason to believe that car manufacturers could lower costs as a result of increased retail concentration. European manufacturers already face the problem of overcapacity of 4m vehicles, a far more worrying problem.

Would consumers really want car supermarkets? There would be fewer of them, presumably much further apart, so the average distance travelled to buy would increase and the car would have to be serviced by a different company.

As for the benefits of several makes in one showroom, research shows that, because the single-franchise outlets are more experienced with the product, they are preferred by many consumers. Many decide what to buy long before they reach a dealership, their decision being based on magazine reviews, their own and friends' experience etc. Fewer dealers would mean less intra-network competition, again giving the seller more opportunity to raise prices.

Product choice would also be reduced. In a competitive market, car supermarkets would have to adjust their selling effort to respond to the relative success of different car models. As cars are physically large and as there are more than 500 car models sold in the UK, the supermarkets would make frequent choices of which selection of cars to support. This would raise the volatility of demand at product-line level, raising risk in the industry, forcing the manufacturers to ask for higher margins and putting pressure on them to cut marginally profitable niche products.

Those who draw analogies between different industries – as BEUC, the European consumers' organisation, and others seem to be doing – should beware being over simplistic.

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Party dogma

From Mr R M Walters.

Sir, Your editorial, "Free the Post Office" (October 7), asserts in nebulous privatise-speak that "consumers stand to gain from the greater efficiency and entrepreneurial zeal" created by the privatisation of the Post Office.

Were the benefits really so transparent, I doubt that your correspondent would have felt obliged to report only a week before ("Post Office watchdog raps sell-off plans", September 30) that "users were also concerned. . .as to the benefits likely to flow from privatisation".

In reality, the benefits seem confined to satisfying party dogma.

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Power shift in Austria

The sharp drop in support for Austria's long-lived coalition of conservatives and socialists in Sunday's general election illustrates a Europe-wide trend. Five years after the fall of the Berlin wall, the effects of political and economic transition are making life difficult for incumbent parties nearly everywhere, with consequent benefit for the electoral fringes. The Social Democratic party and the conservative People's party will remain in power, but both recorded their lowest election scores since 1945.

Elsewhere in Europe, government parties have suffered setbacks in elections this year in Italy, the Netherlands, Sweden and Denmark. At the German elections on Sunday, Chancellor Helmut Kohl will probably hold on to power, yet the conservative Bonn parties appear likely to register their lowest share of a general election vote since 1949.

The main winner in Sunday's Austrian poll was the far-right Freedom party, whose leader Mr Jörg Haider combines a xenophobic stance on social and immigration policies with liberal economic views. He has edged closer to power, conceivably in a coalition with the People's party at the next election in 1998 or sooner.

However, it would be mistaken to see Sunday's result exclusively as a swing to the far right. In terms of their proportionate increase in seats, the left-leaning Greens and the centrist Liberal Forum did as well as the Freedom party. Final parliamentary assent for Austria to join the European Union in January is not in doubt.

Many voters have deserted the government parties, but they are far from expressing blind faith in Mr Haider's doctrines. Rather, the electorate has shown its frustration at the grand coalition's octopus-like grip on Austria's political and economic life. If the coalition's buffeting results in genuine moves to loosen Austria's inbred corporatism, the shift will be greatly welcome.

The coalition's reduced majority will none the less add to policy-making difficulties. Stern fiscal action will be necessary to keep the budget deficit from rising beyond 4.5 per cent of gross domestic product next year, when expenditure is due to rise because of additional payments to farmers and to the EU budget.

In relations with the rest of Europe, the fraying of the coalition may make Austria a less comfortable partner. Integrating Austria with the rest of Europe was supported by two-thirds of voters in the June referendum, but it could cause pain for protected sectors of the economy.

The impact of Mr Haider's rise should not be over-stated, but it indicates the reservations of some Austrian voters about moving towards the more federal Europe envisaged under the Maastricht treaty. Austria is one of the countries closest to fulfilling the Maastricht criteria for economic and monetary union. However, on the evidence of Sunday's poll, Austrian scepticism about tightening integration further may, in future, become more overt.

Small is ugly?

Those who take pleasure in poking fun at the fickleness of management fashion are having a field day. Two very different styles of management theory are now parading down the catwalks.

One model, firmly in favour for the past few seasons, is for extreme corporate concentration. The strategy is to pare the company back to a streamlined core through repeated cuts in staff numbers and divestment of superfluous divisions.

But the wave of mega-mergers which has been such a feature of US stock market activity this year, creating some of the world's biggest empires in media, healthcare and defence, makes a different argument: size is essential. Can they both be right?

To an extent, yes, in that they both recommend specialisation. Some divestments simply represent the acknowledgement that the ambitious acquisitions of the last decade did not deliver the expected benefites.

Specialisation was certainly the mantra recited yesterday by Lucas Industries, the UK-based conglomerate, in explaining the £214m of exceptional charges for restructuring in its half-year results. Although it pronounced the outlook "quite bullish", it announced the sale of half a dozen "non-core" businesses to focus on aerospace and automotive products.

But the Lucas statement, which comes just weeks after Grand Metropolitan revealed radical restructuring plans at its IDV drinks business, raises other questions. Why are the changes necessary after so many years of recession, and how far should the process be taken?

The restructurings partly reflect disappointment with the nature of the economic recovery. Pressure on many companies' margins has been unexpectedly great, a point made forcibly last month by BTR, the UK-based industrial conglomerate, unveiling unexpectedly poor half-year results. Raw material costs have risen, but growing international competition has – so far, at least – prevented much of that increase being passed on through higher prices in many sectors. Meanwhile, advances in telecommunications and electronics have helped executives make repeated cuts in middle management.

But downsizing is not necessarily the best response to margin pressure. Companies can weaken themselves if they become too lean. Cutbacks can lead to problems in hiring and training new staff if growth in demand resumes, and to sharp inflation in the salaries of the best staff. Excessive slenderness may also inhibit investment, and sacrifice genuine opportunities for synergy between different activities.

The retreat from constant corporate dieting may now be under way. Last week General Motors hired several hundred production workers, the first it has taken on since 1986. But in an environment of low inflation, management and shareholders in some industries may have to accept that margins will be lower than in the past.

University reform

Quality is in danger of being crowded out by quantity in the debate over the future of the UK's universities. With student numbers double the level of a decade ago, ministers and universities should focus more on managing expansion and less on measuring it.

Contrary to recent fears, demand for higher education is still increasing. The number of university students enrolled for the current academic year is not significantly down on last year – despite a fall of 4 per cent in the number of 18-year-olds, who make up the bulk of university entrants.

However, controversy about precise numbers has distracted attention from worrying evidence that the university system is under strain. Five years ago there were 10.6 students for every lecturer. Now there are 14. Despite this, the proportion of students gaining first-class honours degrees has risen by 50 per cent over the last decade, even when former polytechnics are excluded. The Higher Education Quality Council, the universities' own self-regulatory body, has found "little consistency and much variation" between universities, and even between faculties of the same universities, in the methods used for classifying degrees. This points to a worrying dilution of standards.

With government encouragement, universities have generated a number of plans to improve quality assurance. They are developing new credit accumulation systems, by which courses are assessed in separate units, and have proposed a more powerful system for monitoring standards.

Such developments are welcome, but they are only a start. To safeguard quality, universities need to attract first-rate staff – many able graduates are deterred from entering academe by low salaries – and to foster diversity. Universities that specialise are more likely to achieve excellence.

The most effective policy to safeguard diversity is to ensure that former polytechnics focus primarily on teaching and training, roles they were performing well before acquiring their new status. Other universities should develop more specialised research interests.

Ironically, the greatest obstacle to this at present is the government's funding system. It was intended to produce a handful of research-based universities. In practice, by tying funds to each university's quality of research, it has encouraged precisely the opposite trend. Universities, fearing a loss of funds, have stepped up their research work, which has resulted in a wasteful duplication of effort across the system.

Rather than continue to encourage an unwarranted universalism, ministers should limit the number of universities allowed to compete for research funding. Competition for funding should continue, but only among a designated 20 or so universities. The list should not be cast in stone. But only by allowing such a group to excel will the twin principles of expansion and excellence be maintained.

Saddam back to centre stage

Iraq's leader is the focus of world attention. But he may have made a serious misjudgement, says **Roger Matthews**

For more than a decade President Saddam Hussein has developed and practised his own personal formula for political survival. Its twin pillars are the ruthless suppression of domestic opposition and the effective manipulation of self-created external threats.

As the Iraqi leader has stumbled from one calamitous misjudgement to the next, those two policy elements have become ever more critical to his survival. And both have been, and still are being exercised without regard to world opinion or changing international circumstances.

Mr Saddam's renewed military threat to Kuwait fits neatly into the pattern that has evolved since Iraq embarked on its eight-year war with Iran in 1980. After modest initial successes, the war with Iran turned into a disaster, costing hundreds of thousands of lives and almost bankrupting a once relatively prosperous economy.

But the national struggle for survival against the radical Islamic threat from Iran helped to deflect blame being attached to Mr Saddam. And far from being subdued by the tough economic consequences created by the war with Iran, Mr Saddam sought to recoup by invading Kuwait.

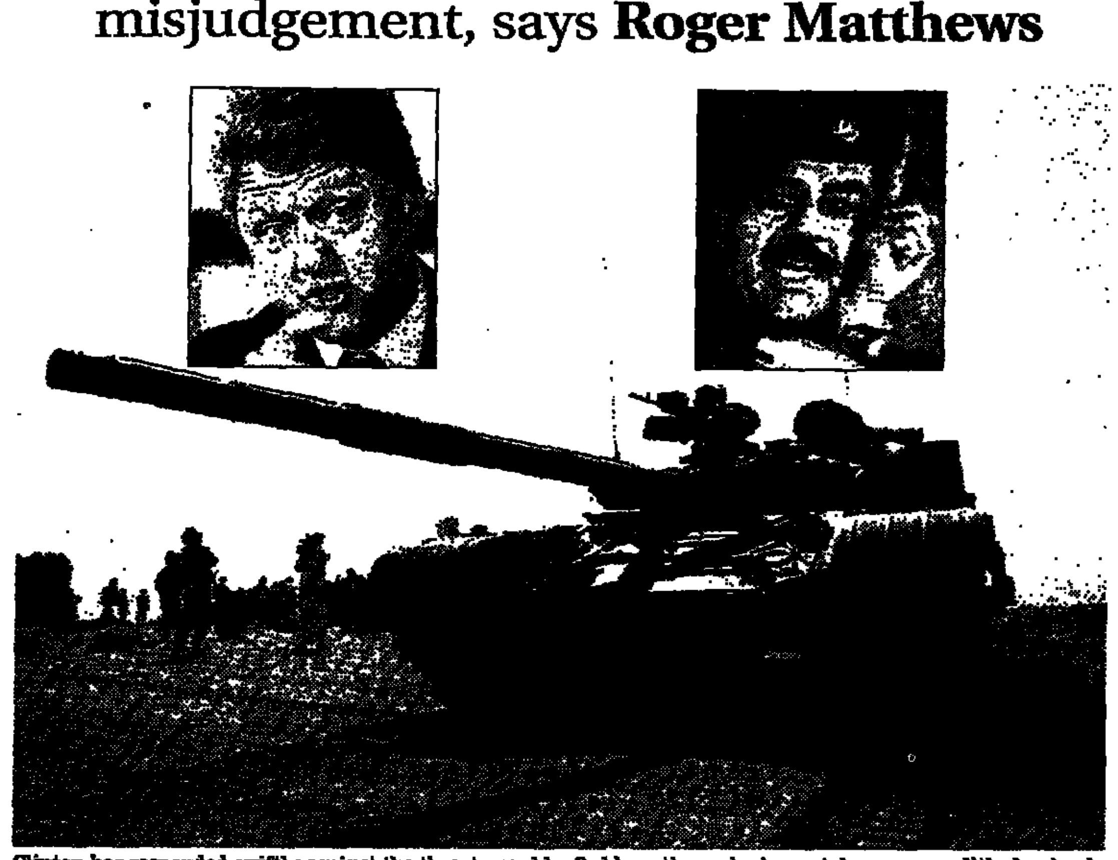
Again he massively misjudged, with yet more serious consequences for the people of Iraq. But the western allies stood by as he snuffed out a rebellion in the south and only belatedly prevented similar action being taken against the Kurds in the north. Those twin threats to the national authority of Baghdad helped rally support for Mr Saddam from his main constituency in the central part of Iraq and particularly around his home town of Takrit.

However the Iraqi leader has been unable to escape from the impact of UN sanctions, imposed in 1990. Mr Saddam's immediate clique may still be living well, but his grudging compliance with UN Security Council resolutions dealing with the destruction and monitoring of weapons of mass destruction underlines just how anxious he is to see sanctions lifted.

Recent statements from senior US officials, largely supported by Britain, show equally just how far Mr Saddam has still to go before they will support any such moves on sanctions.

The US administration believes that Iraq is still hiding Scud missiles and facilities for producing biological weapons, and cites its unwillingness to recognise Kuwait's UN-designated international border as further evidence of the regime's undiminished regional ambitions. In short, sanctions on Iraq will remain for the foreseeable future.

Mr Saddam is thus left with the one option he is most practised at exercising: the threat of military force. But it is a threat that is in every sense much less potent than it was four years ago.



Clinton has responded swiftly against the threat posed by Saddam, the region's most dangerous political animal

Militarily Iraq has been greatly weakened, if not in manpower then certainly in terms of equipment, spares and ammunition. The international alliance created to launch Operation Desert Storm in January 1991 is still broadly in place and militarily will benefit from pre-positioned equipment in Saudi Arabia and Kuwait.

Mr Saddam might have had some excuse for failing to gauge international reaction correctly in 1990. The Soviet Union had crumbled, but the whole-hearted Russian support for the allied action in defence of Kuwait was not entirely predictable. In 1990, the Arab-Israeli conflict did not look susceptible to resolution, and there were other Middle Eastern regimes and their populations attracted by the possibility of indirectly attacking US and Israeli interests in the region.

Just how much this situation has changed can be seen from the stances of the Palestine Liberation Organisation and of Jordan. Mr Yassir Arafat, the PLO chairman, gave initial support for the Iraqi invasion of Kuwait, and King Hussein was the most vigorous proponent of a negotiated settlement with the Iraqi regime. Today both men are locked into a peace process with Israel and both are welcome guests in the White House. Neither will easily sacrifice that, and initial reports suggest that they are under no domestic pressure to do so.

Elsewhere in the Middle East, the realities of US diplomatic and military dominance, coupled with the possibility of a durable peace with Israel, have encouraged similar policy shifts.

Tunisia and Morocco, where support for Iraq's invasion of Kuwait was evident among sections of the public, are on the road to establishing full diplomatic relations with Israel. The six members of the Gulf Co-operation Council (GCC) have begun to dismantle the Arab boycott. Yemen, which was also sympathetic to Mr Saddam, has been further weakened by civil war, while Sudan is an irritant limited to marginal involvement in Islamic extremism.

Meanwhile the stance of those Arab countries which supported the western-led alliance in 1990 appears to be largely unchanged, and perhaps even more solidly supportive. Syria, under president Hafez al-Assad, says that it has made a strategic commitment to seek peace with Israel and has not softened its long-standing hostility to the Iraqi regime. Egypt's consistency remains unwavering, while the GCC states are predictably united in their determination to do whatever is necessary to beat off any fresh threat from Iraq.

There may even be benefits for the region's main oil producers from Mr Saddam's latest threat of military action. The possibility of Iraq being allowed to resume exports was one of the main causes of the weakness in the oil price, especially earlier this year. With Saudi Arabia and Kuwait both running substantial budget deficits and committed to ambitious spending plans, a sustained weakness in the price of oil indicated difficult political decisions in the years ahead.

The maintenance of UN sanctions against Iraq will not remove the need for those structural adjustments, but a firmer oil price should help to ease immediate budget pressures. This, in turn, will help to ensure that Saudi Arabia in particular can finance its substantial military and civil airliner procurement programmes.

Against that must be set the costs of a new military build-up in the Gulf. The US is likely to require a contribution from its regional allies whose ability to pay has been sharply reduced by the 1990-91 conflict. Saudi Arabia estimated that the Gulf war cost it some $60bn, or virtually its entire available reserves, which it has had no opportunity to replenish.

Whether any of these considerations impinge on Mr Saddam's decision-making process is virtually impossible to know. By moving troops close to the border with Kuwait, the Iraqi leader has already cut the ground from under the feet of governments which would have liked to soften the hard-line US policy towards the containment of the Iraqi regime.

France and Russia in particular had seen merit in offering the prospect of easing sanctions as a result of Iraqi compliance with the monitoring of weapons production.

Indications that Mr Saddam may be pulling back from the brink emerged last night when Mr Hamed Youssef Hummadi, the Iraqi minister of information, claimed that "not one unit" had been moved and suggested that talk of a build-up of troops was a "total fabrication by the US".

Mr Saddam has several times in the past purged incipient rebellions with his officer corps, but even his iron political control of the army might be tested by a decision to order troops into a certain repeat of the Desert Storm experience.

The Iraqi leader's next move will depend largely on how fragile he believes his domestic position to be. He may calculate that he has lost nothing by provoking an international crisis, because sanctions were not going to be lifted anyway.

At the same time, Mr Saddam is back at the centre of world attention where he most wishes to be. That might be enough for the time being.

But President Clinton and his allies are wise to prepare for the possibility of military action. Mr Saddam was a dangerous political animal when at least some of the chips were stacked in his favour. He is unlikely to be less dangerous now that he feels he has little more to lose.

Mark Nicholson and **Edward Mortimer** explain the internal pressures driving the president

Dread of routine misery

Whatever the real threat to Kuwait posed by President Saddam Hussein's troop build-up, there can be little doubt that he has mounted this defiant show of force partly to deal with a domestic threat to his own regime.

The timing of the build-up is clearly related to discussion in the UN Security Council on easing the sanctions imposed four years ago, especially the ban on oil sales.

It seems likely that Mr Saddam hopes, by staging a crisis and generating criticism of US "belligerence" at home and abroad, to persuade the US to strike a deal, lifting sanctions in exchange for Iraqi recognition of Kuwait within its UN-designated borders.

However, Mr Saddam's domestic audience is as important to him as the international one. Many observers believe the past year has seen a significant shift among ordinary Iraqis and in the army towards blaming Mr Saddam for the grave suffering sanctions have wrought.

Mr Saddam himself took formal control of the government in May. Since then, official food rations, on which the majority of the population depends, have been halved, and barbarous penalties of amputation and branding (most of them without any base in Islamic law) have been introduced for hoarders and black marketeers.

Mr Saddam and his cabal of 20 or so executive leaders, almost all from his own Tikriti clan, or related to it by marriage, have for the last four years blamed Iraq's plight on a hostile conspiracy, hatched in Washington and London and enforced by a "hijacked" UN.

But according to Mr Anoush Ehteshami, senior lecturer in Middle East studies at Durham University, the entire fabric of Iraqi society is "unravelling" because of the impoverishment of Iraq's middle classes, the increasing inability of the state to provide basic nutrition and health, and the climate of political fear and repression. Mr Saddam, he says, "is seeing the whole state crumble away at the edges".

Mr Ehteshami points especially at an apparent erosion of support for Mr Saddam in the regular army. The flow of desertions has accelerated in recent months, with opposition sources claiming it to be as high as 40 per cent. Except for elite units such as the Presidential and Republican Guards, Mr Saddam's emptying coffers have not been able to maintain the army at the privileged level of pay and perks to which it is accustomed.

"Much of the military is beginning to link up, through shared poverty, with civil society," says Mr Ehteshami. "And among both there is increasingly the view that nothing will change while Saddam is in power."

Whether disgruntled army officers could rise up and overthrow Mr Saddam is doubtful. Repeated rumours of coup attempts since the Gulf war have mostly been followed by rumours of purges and disappearances among the senior ranks, while Mr Saddam and his close-knit ruling clique have continued to sit tight.

This spring, however, there appeared to be a serious rift in the clique, when members of the hitherto powerful Duri clan were dismissed. Since then, opposition sources have detected signs that even closer allies, such as the defence minister, Ali Hassan Majid, are under suspicion. More and more, power is vested in Mr Saddam's two sons, Udeh and Qaussy.

One explanation for this week's large military deployment is that Mr Saddam felt the need to occupy the army in a distracting adventure. At the same time, by forcing an international crisis and the arrival in the Gulf of tens of thousands of US troops, the Iraqi leader may hope he can refocus attention inside and outside the country on the alleged US and western-led "conspiracy".

"What Saddam dreads most is this feeling among Iraqis of routine misery and that life under him has become tedious and unpleasant," says Mr Charles Tripp, a lecturer in Middle East politics at the School of Oriental and African Studies in London.

An external crisis provides a note of drama, and enables Mr Saddam to strike a "heroic" pose.

OBSERVER

Powerless lunchers

■ Once they buzzed like bees round a honeypot; now they're all too busy. To have lunch with Baroness Thatcher, that is, during her fleeting visit to the Tory conference.

John Major *will* share a cup of coffee with her, before she waltzes on to the conference platform – though is otherwise engaged for lunch. So too it seems are most other senior government members. Nothing of course to do with the latest stories about her son Mark.

Her media and business friends have more spare time. Sunday Telegraph editor Charles Moore, Sir James Goldsmith and ITN's Dame Susan Tinson are on the guest list. Probable menu: pawn cocktail; roast beef of old-fashioned England (with envious greens); sour grapes and hard cheese to follow.

Will Sir Basil Feldman, Tory grandee and conference organiser, be welcome? Surely not. Greeting the press, he recalled that Bournemouth "has many happy memories". Forgetting, surely, that in Bournemouth 1990 the party prepared to ditch Lady Thatcher, who was gone within weeks.

Toy town

■ Meanwhile, Edwina Currie, ex-Tory minister and sometime author, has been causing a bit of a stir. Will she turn up at Bournemouth with the new love of her life, her "toy boy called Otto". Apparently, the object of her affections has a "very sexy" behind.

Don't panic. It's not another scandal sloshing across the bows of tugboat Tory. Otto is Currie's new car, a blue Toyota MR2. She told the newspaper Scotland on Sunday that Otto "is my treat to myself as I've worked hard for my money and [is also] my consolation prize for not winning the European election in June". Any other Tories planning to follow her example? Given current poll performances, Toyota sales could do very well indeed in 1997...

Stepping out

■ A new star is about to take her bow in London's diplomatic round. Noemi Sanin, Colombia's new ambassador, is a conservative politician from Medellin who enlivened many a dreary Latin American summit in her last job as Colombia's foreign minister.

The London posting, which she will take up after completing a course in English, is seen by some as just a stepping stone to her ultimate goal of becoming Colombia's president. So as well as being out to refurbish her country's image as a land of drug traffickers, she will be keen to have lots of interesting photo-opportunities beamed back to Bogotá as evidence of her statesmanship.

No doubt Tristan Garel-Jones, the

former foreign office minister and ardent admirer of Ms Sanin and her country, can be counted on to make the right introductions.

Not tonight

■ Sexual politics are taking on a new meaning in the run-up to Germany's elections. According to the German version of Playboy magazine, there is a strong correlation between voting and mating habits. Polling some 1,300 people, the mag discovered that more than 50 per cent of Christian Democrat voters record having sex once a month or less. Germany's most sexually active voters are to be found in the reformed communist Party of Democratic Socialism; 20 per cent reckon they have sex at least once a day. Is that why they have no chance of forming the next government?

Full stop

■ So the greatest living novelist isn't going after all? The reason why Lord Archer is not at the Conservative party conference, says Jeremy Hanley, party chairman, is that the millionaire author is far too busy in the House of Lords, where Labour's front bench yesterday demanded publication of the Department of Trade and Industry's report into Anglia TV share dealing, which gave Lord Archer star billing.

But no, he wasn't there either. The plot curdles.

Scholarly sandwich

■ Bully for St Edmund's College; it can take a joke. Observer recently mentioned that England's oldest Roman Catholic school wants planning permission for a petrol station/roadside café, and suggested it might exchange its motto – *Avita pro fide* (for the ancient faith) – for a more contemporary version, like "Fill 'er up".

Donald McEwan, St Edmund's headmaster, argues: "Surely it should be in Latin, and not the fractured English you suggest."

He offers three options. *Tu das escam in tempore opportuno* – "you fill them up at the necessary moment" – is a little verbose. *Mens sana in vehiculo sano* – "a healthy mind in a healthy vehicle" – is a touch obvious. But *Conviva felix* – "happy eater" – has the snappy ring of commercialism.

Johnny come lately

■ Rip van Winkle revisited? An advertisement in yesterday's FT from South African mining house Johannesburg Consolidated talked about a gross dividend for UK "Income and Surtax purposes". Did not Anthony Barber abolish surtax in the 1973 Finance Act? Perhaps it is a very subtle Budget leak.

Soft boiled

■ Knock Knock. Who's there? Egbert. Egbert who? Egbert no bacon.

Try cracking that joke next time you take the Eurostar express train service, which from next month starts taking travellers through the Channel tunnel. Anyone lucky enough to make the trip will find no fried eggs and bacon, a traditional feature of British Rail's early morning journeys. The caterers are unable to keep fried food hot, so international passengers will have to make do with scrambled eggs. Cracking good service.

FINANCIAL TIMES
Tuesday October 11 1994

Cédras quits as Haitian leader and accepts exile

By Ted Bardacke in Port-au-Prince

Getting aid in Haiti to those in need ....Page 7

Lt General Raoul Cédras, head of Haiti's military government, yesterday resigned and announced his exile, paving the way for the return of President Jean-Bertrand Aristide, the man he overthrew in a bloody coup in 1991.

Mr Aristide's supporters immediately took to the streets of the capital Port-au-Prince to celebrate, forcing the US military to protect the departing Haitian leader and his family.

At a public ceremony on the steps of military headquarters, Lt Gen Cédras attempted to leave power in a dignified manner, handing over nominal control of the armed forces and police to his second-in-command, General Jean-Claude Duperval, as a 40-piece military band played the military's battle anthem.

But the thousands of Aristide supporters who gathered turned the ceremony into a farce, singing anti-military songs to the band's tune. Much of Lt Gen Cédras's speech was drowned out by chants of "Aristide is coming back, Cédras is going to eat sewage" and the noise of US military helicopters circling overhead.

General Henry Shelton, commander of the 17,000 US forces on the ground in Haiti, oversaw the ceremony, escorting Lt Gen Cédras to the podium while US troops kept screaming Aristide supporters at bay.

Crowds later surged around Lt Gen Cédras's departing convoy, throwing stones and pounding vehicles before scattering amid two bursts of automatic weapons fire from within the convoy.

"I choose to leave the country because my presence could be a pretext for unjustifiable acts," Lt Gen Cédras said. There was no immediate announcement of which country would give refuge to him but US embassy officials mentioned Panama, Argentina and Spain as possible destinations.

US officials said they believed Gen Duperval would only be a caretaker, relinquishing power when Mr Aristide nominates a new head of the military on his return, probably on Saturday. Five Haitian colonels met Mr Aristide last week in Washington to discuss the issue of civilian control of the military.

The resignation follows two days of meetings with US officials, including Mr William Perry, defence secretary, and Gen Shelton. Lt Gen Cédras's safety after he stepped down was discussed together with ways of tackling the country's week-long power vacuum.

Over the next few days, US forces will be under pressure to protect both pro-Aristide rallies, sure to increase as the population prepares for the return of the president, and members of the Haitian military, which is in disarray but under unusual orders not to fire on Haitians.

Baroness Thatcher denies any impropriety in arms deal

By Kevin Brown, Robert Peston, William Lewis and Jimmy Burns

Baroness Thatcher yesterday denied there was any financial impropriety in the £20bn ($31.6bn) Al Yamamah arms contract with Saudi Arabia which she helped to win. She was responding to allegations that her son, Mr Mark Thatcher, received millions of pounds in commissions on the deal.

Mr Thatcher also insisted that he had "made no money" from the UK's biggest defence contract, as the Conservative party chairman, Mr Jeremy Hanley, tried to prevent the affair overshadowing his party's annual conference.

Amid growing concern among senior ministers, Mr Hanley rejected Labour calls for a public inquiry, but said the allegations could be investigated by Sir Robin Butler, the cabinet secretary.

Mr Thatcher would not elaborate on his role in the negotiations. However, he has told friends that his current net worth is significantly less than the £12m he is alleged to have received from Saudi Arabia.

Lady Thatcher, who was prime minister when the first part of the deal was signed in 1985, defended the the negotiations in terms which appeared designed to rule out any further allegations against those involved, including Mr Thatcher.

"Lady Thatcher is absolutely satisfied that the Al Yamamah contract was properly negotiated between the governments of Saudi Arabia and the UK," her statement said.

However, a former Ministry of Defence official closely involved in the negotiations said: "Mark certainly tried to generate the impression that he had influence [over the possible outcome of the Al Yamamah talks]."

The main beneficiary of the deal, which was signed by the two governments, was British Aerospace, the defence and aviation group.

Sir Raymond Lygo, BAe's managing director at the time, said that Mrs Thatcher's personal intervention in the negotiations had been crucial to the UK's winning the deal against stiff opposition from France.

He added: "She intervened at our [BAe's] request. We went into Downing Street and asked whether the prime minister could be diverted to drop in [to Saudi Arabia]". He was not aware that Mr Thatcher played any role in persuading his mother to become involved.

Mr Hanley, asked whether Mr Thatcher's reported role in the deal breached the rules and procedures for ministers – the ethical guidelines issued to ministers on appointment – said: "If that is the allegation, then the cabinet secretary would be the proper authority."

German employers set tough terms for wage negotiations

By Quentin Peel in Bonn

Germany's engineering employers called yesterday for the planned 35-hour week in the industry to be renegotiated as part of a package to save jobs and cut costs.

In a pre-emptive move on the eve of the annual wage demand from IG Metall, the engineering workers' union, the employers served notice that cost-cutting remains the priority for an industry still reeling from last year's economic downturn.

The union is expected to file a claim for a wage rise above inflation rate, to compensate for real pay cuts over the past year and reflect a productivity increase forecast at more than 3 per cent.

The employers' move to renegotiate the 35-hour week, the hardest-fought achievement of the engineering workers in recent years, seems certain to infuriate the union leaders, who accepted a virtual pay freeze for their members last year.

But Mr Hans-Joachim Gottschol, president of Gesamtmetall, the engineering employers' federation, warned yesterday: "The shortening of the working week limits the room for any wage increase." The planned 35-hour week, due to come into effect in October 1995, should be renegotiated as part of a package aimed at more flexible working practices and an overall cut in costs.

Mr Gottschol said that redundancies in the engineering industry, which were running at 30,000 a month last year, had finally halted, not least thanks to the job security deal involved in last year's pay settlement. That deal allowed employers to put staff on to short-time working on reduced pay as an alternative to outright redundancies.

His five-point plan involves extending the current deal on short-time working and job security, further cost-cutting, renegotiating the 35-hour week, negotiating a special deal to employ the long-term unemployed, and seeking more flexibility in wages to relieve small and medium-sized enterprises.

The number of short-time workers in the industry has now sunk from 750,000 at the low point of the recession in 1993 to 80,000 today, Mr Gottschol said. He forecast a growth rate of 3-4 per cent in the electrical and mechanical engineering industry as a whole in 1994, but warned that the effects of the recovery were very patchy.

Since mid-1991, 750,000 jobs had been lost in west German engineering because of pressure of costs and loss of orders.

Iraq crisis

Continued from Page 1

Andrei Kozyrev, Russia's foreign minister, said that he was holding "close contacts" in the Security Council and that "there is still enough room for diplomacy".

Oil markets have reacted calmly to the tension. Although prices showed some nervousness at the opening yesterday, they quickly settled down and showed little change from the close on Friday.

"The markets are treating this as a non-event," said Mr Joseph Stanislaw, of Cambridge Energy Research Associates in Paris.

Fall in rouble accelerates

Continued from Page 1

more when translated back into roubles.

The rouble fall should also increase competitiveness of Russian exports and give domestically made goods a price advantage over imports.

However, the rouble's fall is damaging the government's domestic economic credibility as queues lengthen outside currency exchange points and the rising price of imported goods hurts Russian consumers.

Trading on the Moscow interbank currency exchange, with only thin liquidity, has proved highly volatile, with even small trades having a big impact on the rouble's value. But the rouble's fall has been on an accelerating trend. In July it had fallen 3.1 per cent against the dollar; in August, 4.5 per cent; in September, 17.8 per cent; and in the first few days of October 16.5 per cent. Since the start of the year the rouble has fallen from 1,247 to 3,081 against the dollar.

One western economist in Moscow said of the rouble's fall: "It does not end reform and attempts at stabilisation. The problem is not so much the fall itself – which is perhaps justified – but the speed of the fall."

THE LEX COLUMN

Lucas limbers up

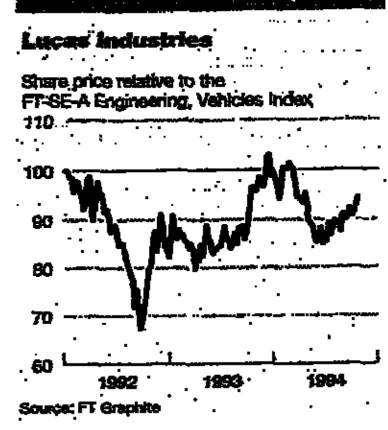
Provisions on the scale of those announced yesterday by Lucas Industries do not normally trigger a euphoric stock-market reaction, especially when the company concerned last pushed through a chunky restructuring provision only two years ago. But, after his achievements at Rover investors have faith in Mr George Simpson, believing that his strategy, and the sheer scale of the provisions, imply a genuine break with Lucas's accident-prone past.

If the provisions were bigger than expected, so was the increase in underlying profits and sales. Encouraging, for example, was the 13 per cent increase in automotive turnover, achieved despite the modest pace of recovery in the European car industry. Operating profits for this business segment nearly doubled. Even so, margins here are a meagre 5 per cent. Lucas aims to raise them to at least 9 per cent, which it earned at the top of the previous cycle, but this will be no easy task.

Cost-cutting will help, but the path to robust margins – across the Lucas group as a whole – requires the patient development of new products and strategic alliances. In this respect Lucas looks a long way behind competitors such as Bosch, Valeo or GKN in the race to become one of the select band of favoured suppliers to the automobile industry.

If any manager can induce Lucas to catch up, it is Mr Simpson. But the shares are taking a great deal for granted. They stand on a multiple of 18.5 times 1994-95 earnings, based on consensus forecasts, and yield little more than the market average. This looks demanding, especially as the prospects for a bid will be diminished by Lucas's determination to put its own house in order.

FT-SE Index: 3032.3 (+33.6)



Source: FT Graphite

Sappi

Sappi's $1.6bn acquisition of Scott's coated paper subsidiary, S.D. Warren, is the largest US transaction struck by a South African company. Such deals will proliferate as compatriot companies take advantage of their country's international rehabilitation to reduce dependence on the domestic market.

Given the recent inexperience of South African groups, Sappi's strategy, the price it paid and its ability to reduce debt require special scrutiny. The strategy looks valid; Sappi will now be world leader in coated paper, the industry's fastest growing segment. The price, at 15 times historic earnings, is no steal, but at a small discount to net asset value looks reasonable. As for debt, Sappi could be accused of recklessness in taking on such large sums so late in the US cycle. However, cash flow prospects are promising. The coated sector, plagued by overcapacity, has lagged other paper grades, but US prices bottomed in July, and since then two increases have been announced and achieved. Little additional capacity is under construction to undermine further rises. With the prospect of volume growth, escalating prices, and the promise of further cost savings, Sappi should quickly reduce its debt burden.

While Sappi may celebrate, for Arjo Wiggins Appleton the South Africans' success is a setback. The Franco-British group had made no secret of its desire to acquire elements of S.D. Warren. Yet again, financial constraints or lack of nerve has held back the group's industrial progress. Restraint can be a strength, but timidity is a serious management weakness.

UK economy

The record monthly increase in consumer credit in August appears to give the lie to the idea that consumers are feeling glum. But the latest figures sit oddly with signs of weakness from confidence surveys, as well as sluggish retail sales and the stagnating housing market. So one should perhaps take the consumer credit data with a pinch of salt. Not only do the data fluctuate widely from one month to the next' increased borrowing could be due to cheap credit offered by retailers to help move their stocks. The interim results from the clearing banks would certainly support this view. The essential point is that consumers still seem price conscious. If they are borrowing, it is certainly not yet to finance a spending spree in which cost is no object. While that holds true, there is less to worry about from the large increase in producer input prices. No doubt last month's base rate increase was a warning shot across the bows of companies thinking of trying to pass on higher costs of raw materials, but it remains quite difficult for them to do so anyway.

The art for the authorities will be to tighten policy just enough to keep up that pressure without stifling demand altogether. The slight underlying acceleration in the rate at which producer output prices are now rising suggests the base rate move was timely. Gilts should take comfort from the fact that, though Mr Clarke needed some persuading to make his pre-emptive strike, at least he acted in the end.

Oil

Saddam Hussein may be backing down from a Gulf confrontation, but that is not necessarily bearish for crude prices. Since the US has gone to the expense of mobilisation, it is unlikely to reward Saddam by swiftly lifting the embargo on Iraqi oil exports. There should also be less pressure on the administration to soften its line from Russia, China and France. If the embargo is not lifted next year, it could last beyond 1996. President Bill Clinton will not wish to give the appearance of caving in to Saddam in an election year.

As important as what happens in Iraq is the picture of world demand and supply. This year demand outside the former Soviet Union, where economic activity has collapsed, looks set to grow by nearly 3 per cent. Much of the growth has come from the US. That growth in US demand could slow down as its economy responds to higher interest rates, but this is likely to be more than offset by growth in continental Europe and Japan.

Meanwhile, supply remains tight. Opec shows every sign of maintaining production discipline. Saudi Arabia, Kuwait and Iran have all indicated that this year's quotas should be rolled over when the cartel next meets in November. A combination of growing demand and tight supply would have predictable effects. Any dip in crude prices if the Iraqi crisis is indeed resolved is likely to be temporary.

FT WEATHER GUIDE

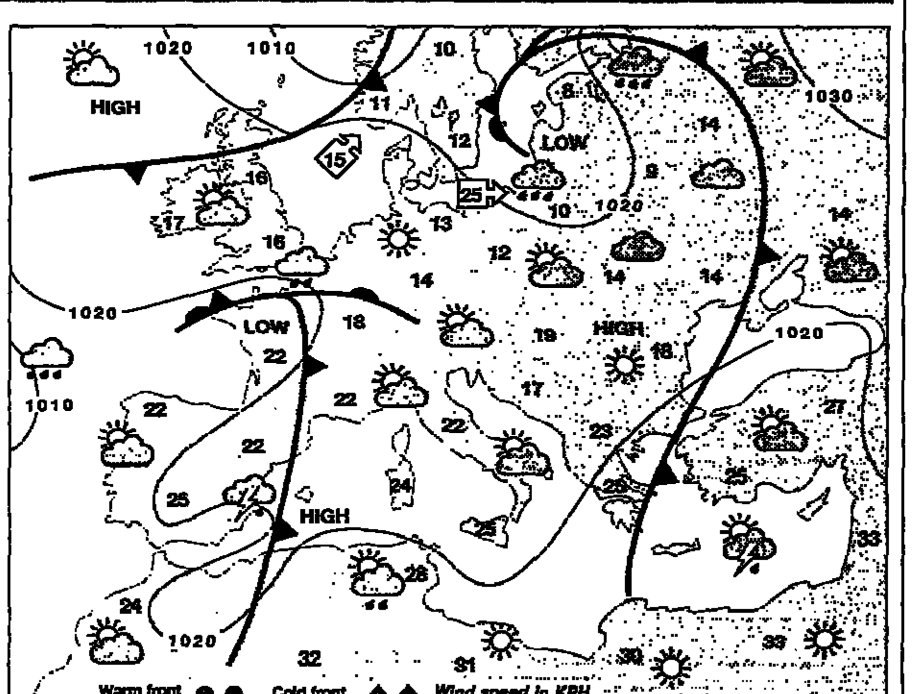
Europe today

High pressure will slowly dissipate over the west of the continent allowing conditions to deteriorate.

Cooler air moving over the northern North Sea will cause light rain over northern Britain. Meanwhile, a disturbance moving north-east over France into the Benelux and Germany will bring rain to southern England, the Channel and Belgium. Central Germany may have some rain later as well. However, northern Germany and the northern Benelux will stay sunny and dry. Further south, rain will linger near the north-east coast of Spain. Italy will be dry, calm and rather sunny. Thundery showers will move from Greece into south-western Turkey.

Five-day forecast

Some rain is expected on Wednesday over parts of Germany, France and the Alps but high pressure will return over central Europe and Britain, bringing calm and mainly dry weather on Thursday and Friday. During the weekend, cooler and more unstable air will start moving south over the North Sea. The western Mediterranean will become drier towards the weekend. A series of active depressions will cause changeable conditions over Scandinavia.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	shower	19	Caracas	thund	32	Faro	fair	23	Madrid	fair	22	Rangoon	fair	34
	Celsius		Belfast	cloudy	15	Cardiff	shower	15	Frankfurt	fair	18	Majorca	shower	24	Reykjavik	rain	5
Abu Dhabi	sun	34	Belgrade	sun	15	Casablanca	sun	24	Geneva	fair	19	Malta	fair	25	Rio	sun	28
Accra	fair	32	Berlin	fair	14	Chicago	sun	17	Gibraltar	fair	24	Manchester	fair	17	Rome	fair	23
Algiers	fair	26	Bermuda	cloudy	29	Cologne	fair	19	Glasgow	drzzl	16	Manila	cloudy	33	S. Frsco	sun	24
Amsterdam	sun	17	Bogota	drzzl	18	Dakar	sun	30	Hamburg	sun	14	Melbourne	shower	17	Seoul	rain	22
Athens	fair	25	Bombay	fair	33	Dallas	fair	26	Helsinki	shower	8	Mexico City	thund	21	Singapore	cloudy	33
Atlanta	rain	16	Brussels	shower	18	Delhi	sun	35	Hong Kong	fair	32	Miami	thund	32	Stockholm	cloudy	10
B. Aires	drzzl	18	Budapest	sun	13	Dubai	sun	34	Honolulu	fair	30	Milan	fair	20	Strasbourg	shower	19
B.ham	fair	15	C.hagen	fair	13	Dublin	fair	16	Istanbul	shower	21	Montreal	fair	11	Sydney	cloudy	21
Bangkok	fair	36	Cairo	sun	33	Dubrovnik	sun	23	Jakarta	fair	33	Moscow	shower	15	Tangier	sun	23
Barcelona	thund	22	Cape Town	sun	22	Edinburgh	fair	17	Jersey	cloudy	16	Munich	fog	14	Tel Aviv	sun	35
									Karachi	sun	39	Nairobi	fair	28	Tokyo	rain	24
									Kuwait	sun	37	Naples	fair	24	Toronto	sun	10
									L. Angeles	sun	28	Nassau	thund	31	Vancouver	fair	11
									Las Palmas	sun	26	New York	sun	13	Venice	fair	18
									Lima	cloudy	22	Nice	sun	21	Vienna	sun	13
									Lisbon	shower	23	Nicosia	fair	35	Warsaw	shower	11
									London	shower	15	Oslo	sun	11	Washington	sun	17
									Lux.bourg	shower	17	Paris	fair	17	Wellington	shower	11
									Lyon	fair	21	Perth	fair	24	Winnipeg	cloudy	11
									Madeira	shower	25	Prague	fair	13	Zurich	fair	18

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday October 11 1994

IN BRIEF

Strong gains for Kemira chemicals

Kemira, the Finnish state-owned chemicals group, yesterday announced a strong improvement in interim pre-tax profits ahead of the international share issue which it launches next week. Page 20

Crédit Lyonnais chases bad loans
Crédit Lyonnais hopes by the end of next year to recover some FFr12bn ($2.27bn) of its total FFr70bn worth of doubtful loans for which provisions have been made, Mr Jean Peyrelevade, chairman, said yesterday. Page 20

Four Polish banks plan merger
The consolidation of Poland's fragmented banking sector moved forward yesterday when four state-owned banks signed a letter of intent to merge their operations. Page 20

Thai power group announces float
Electricity Generating Co (Egco), which is poised to become Thailand's first privatised power company after months of delays, will launch a roadshow next week to publicise its flotation. Bangkok stockbrokers said yesterday that the company should complete its initial public offering in November. Page 23

Lower metal prices hit Alcoa Australia
Alcoa of Australia, the integrated aluminium group, has suffered a 35 per cent slide in net earnings for the nine months to September, reflecting the combined effect of lower metal prices and a strengthening Australian dollar. Page 23

Japanese banks return to their roots
At a time when Japan's leading commercial banks are suffering from mounting bad loans and weak demand for loans, the country's regional banks are finding business growth in their local provinces. Page 22

Longuet favours Renault link
Mr Gérard Longuet, the French industry minister, said yesterday that he favoured closer links between Renault, the state-owned motor group, and Mercedes-Benz of Germany. Page 21

Dow Jones lifts income 14%
Dow Jones, the US media group that publishes the Wall Street Journal, lifted net income by 14 per cent to $33.7m in the third quarter to September, helped by a big increase in revenues from its electronic information services division. Page 21

French ministry to aid Eurocopter
French defence ministry is to speed up FFr800m ($151.51m) of its planned purchases from Eurocopter to stem financial and job losses at the Franco-German helicopter joint venture, Mr Jean-François Bigay, Eurocopter president, said yesterday. Page 21

Stanhope fails to dispel City gloom
Stanhope's share price fell 26 per cent yesterday, after the heavily indebted property developer revealed that potential rescuers were unlikely to match last Friday's depressed share price. Page 26

Clinton expands in time for Christmas
Clinton Cards added 86 shops to its chain of 277 greeting card and gift stores in a £3.5m ($5.53m) purchase. Page 28

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)

Rises			
AEG	151	+	10
Asko	790	+	58
Deutsche Bab	278.5	+	10.5
MAN	408	+	19
Macrohaus	155	+	16.1
Thyssen	293	+	15.5
NEW YORK ($)			
Rises			
Apple	38⅞	+	1¼
Comcast	16⅝	+	1⅛
Gen Motors	45⅛	+	1⅜
Micron Tech	35⅝	+	2
Scott Paper	63¾	+	2⅛
Tele-Comms	22¾	+	1⅛
PARIS (FFr)			
Rises			
Bancaire Comp	514	+	19.8
CGIP	1120	+	48
Dollfus Mieg Cie	355	+	15
Havas	437	+	18
Societe Generale	556	+	25
Falls			
Unibail	430	-	17.2

New York prices at 12.30pm. Tokyo closed.

LONDON (Pence)

Rises			
[illegible]	32	+	3½
Argos	317	+	10
BAA	498	+	22
[illegible]	17	+	3½
Chrysalis	229	+	31
[illegible]	14	+	2
[illegible]	255	+	7
[illegible]	47	+	3
[illegible]	440	+	16
Lucas Inds	194	+	17
National Power	487	+	13
[illegible]	559	+	20
[illegible]	145	+	7
South West Count	335	+	11
Standard Chartd	367	+	8
Tay Homes	163	+	12
VSEL	1206	+	30
Wakebourne	93	+	8
Warburg (SG)	610	+	23
Yorkshire Water	536	+	17
Falls			
Pentos	14½	-	2
Scottish TV	430	-	44
Stanhope	14	-	5

Kone pays $280m for US lift maker

By Christopher Brown-Humes in Stockholm

Kone, the world's third largest lifts group, has agreed to buy Montgomery Elevator of the US for $280m in a substantial expansion of its North American business. Montgomery, based in Moline, Illinois, is the fourth largest supplier of elevators and escalators in the US with annual sales of $400m and 3,800 employees.

Dr Gerhard Wendt, Kone president, said the acquisition - the biggest the company had made - would assist Kone in its "long-term goal of becoming a major force in the important North American elevator market". It will double Kone's North American market share to about 20 per cent while increasing the North American share of group sales from less than 10 per cent to about 25 per cent.

The purchase follows a disposal programme which has concentrated Kone's operations on its lifts business. Over the past 12 months it has sold MacGregor-Navire, a supplier of shipboard cargo handling equipment, Kone Cranes and Kone Wood.

It is also a clear sign of commitment to the business by the Herlin family, which controls about 40 per cent of Kone's capital and 70 per cent of the votes. In May, there was a flurry of speculation that the Herlins intended to sell out after talks with Germany's Thyssen Group.

Montgomery Elevator has five factories in four US states - Illinois, Kansas, Arkansas and Texas - and nearly 170 branches and sub-branches.

Kone plans to merge its own Kentucky-based Armor Elevator unit with Montgomery. It is aiming to boost Montgomery's annual profits from between $15m to $20m to between $25m and $35m.

Dr Wendt said the companies' operations fitted well geographically, with Chicago and California the only major areas of overlap. "Montgomery should fit into our international organisation like a hand in a glove".

The purchase further expands Kone's maintenance business, which it has relied on to maintain profitability at a time of a generally sluggish growth in new sales. Montgomery maintains 48,000 lifts and escalators, taking Kone's total number of units under maintenance to 410,000.

Montgomery and Kone have operated a joint venture in Canada since 1985. Mr Dan Blount, Montgomery president, said: Becoming part of Kone is the best assurance for Montgomery's continued success in this tough international marketplace".

Lufthansa sees Thai deal gains next year

By Andrew Fisher in Frankfurt

Lufthansa, the newly privatised German airline, said its profits should start to benefit next year from the wide-ranging cargo and passenger freight deal signed yesterday with Thai Airways International.

At a time when Lufthansa is returning to the black – it posted its first profit for five years in the first half of 1994 – analysts said the alliance with Thai, foreshadowed earlier this month, should bring considerable cost savings. It also showed the strength of Lufthansa's ambitions in southeast Asia, with more deals expected.

Mr Jürgen Weber, chairman, said the link with Thai should lead to an improvement of at least DM10m ($6.4m) in net profits in the first full year of co-operation. The tie-up takes effect next spring. Mr Michael Broeker, head of German equity research at Nomura International, said the figure could be about DM20m. First half pre-tax profits totalled DM105m against a DM221m loss in the same period of 1993.

Mr Weber did not rule out the possibility of a share exchange between the airlines – "if this [the co-operation deal] is successful, then such an exchange of equity is possible". However, Lufthansa officials said it was not the airline's usual policy to take stakes in airlines with which it was co-operating.

With both Lufthansa and Thai linked with United Airlines of the US through co-operation agreements, the German company said the three carriers would be running what it called "the world's largest international network of air services". Mr Weber said the Thai deal would enable both companies to offer new destinations, with joint flight bookings, increased flight frequencies and new connecting services.

"Given the importance of Asia, I think it's a very important strategic move by Lufthansa," said Mr Julius Maldutis, airlines analyst at Salomon Brothers. "The big savings are in cost-avoidance." Both he and Mr Broeker saw significant potential in the fast-growing freight market, with Lufthansa saying the intention was to make Bangkok the major cargo hub for the Asia-Pacific region.

Lufthansa would not comment on speculation that deals were likely in Asia, possibly in China or with Indonesia's Garuda.

New strategy will focus on core automotive, aerospace and electronics activities

Britain's Lucas charges £214m to restructuring

By Andrew Bolger and Paul Cheeseright in London

Extensive restructuring by Lucas Industries will cost the UK automotive and aerospace components group a total of £214m ($338m) in exceptional charges – double previous forecasts.

However, shares in Lucas yesterday rose by 17p to 194p after the London market reacted positively to the new strategic direction outlined by Mr George Simpson, the former chairman of Rover Group who became chief executive of the Birmingham-based company in June.

The provisions led to a pre-tax loss of £129.7m for the year to July 31, compared with profits of £49.5m last time. Operating profit rose by 40 per cent to £84.2m. Sales were flat at £2.6bn but, excluding divestments, grew by 7 per cent.

Sir Anthony Gill, chairman, was confident that the progress already demonstrated in underlying performance would be maintained, so the final dividend had been held at 4.9p to give an unchanged total of 7p. A loss per share of 17.8p compared with earnings of 4.1p last time.

Mr Simpson is focusing on three areas – automotive, aerospace and electronics. He also announced the proposed disposal of two aerospace businesses in the US – Lucas Communications and Electronics, which between them employ 550 people. Last week the group said it would sell its software business, Lucas Management Systems, and consider disposing of its consultancy arm, Lucas Engineering & Systems.

Mr Simpson said: "It is quite clear to me that three of our core business areas must be restructured if they are to achieve a competitive edge and maximise their contribution to future Lucas earnings."

Announcements of new divestments, restructuring provisions, stock value revaluations and goodwill write-offs suggested a new broom sweeping clean. Here was a new management team taking the nasty financial decisions which would be more difficult after three years of responsibility. There were the hints of the Simpson style, honed at Rover, where the corporate culture shifted to the notion that customers need to like the cars they buy. "There's been a little bit of a tendency at Lucas to have technology for technology's sake," he said, adding that a "refocusing of the businesses will allow us to do things more quickly than we did before."

Mr Simpson said: "Lucas has been held back by too many businesses in the portfolio which have been underperforming."

But by getting rid of small businesses on the edge of Lucas's mainline automotive, aerospace and electronic activities, Mr Simpson is doing nothing new. He is following a restructuring policy which started with the provision, during 1991-1992, of £88.4m, which has all been used.

In another respect, his arrival suggests continuum rather than any break with the past. He has the blessing of Sir Anthony, his retiring predecessor. Mr Simpson was, Sir Anthony said yesterday, "worth waiting for". Indeed, given the size of Sir Anthony's shareholding in Lucas, Mr Simpson is the guardian of his pension.

Mr Simpson's aim is to accelerate change, to use the technological base of Lucas more forcefully. "What has been missing has been consistent financial success," he noted. Underlying that is the fear that unless there can be forged a closer alliance between technology and revenue, Lucas will be picking up the crumbs of the major players in the automotive and aerospace industries.

These players are reducing the number of their component suppliers. They are forming long-term relationships but at a price. They expect them to play a design and supply role which demands both the ability to fund front-end development and the manufacturing skills which continually drive down costs.

Lucas intends to play in that group. Thus it needs to expand.

The main restructuring effort at Lucas is directed at the aerospace activities precisely because they need, in Mr Simpson's view, to be welded into a base on which there can be expansion to give Lucas more weight in the industry.

Emphasis on the automotive side is different. There the problem is organising enough capacity to meet demands for diesel fuel systems which already exist. Technology has run ahead of manufacturing capacity.

Additional financial power – and Mr Simpson thinks it will take two years for the full effects of the restructuring to come through – would take Lucas out of the league of takeover targets and into the ranks of the predators. Lucas has been the subject of persistent bid speculation by larger and more powerful companies.

As it is, the costs of staying a supplier, not of parts but of systems, are such that Lucas will seek collaboration with other groups on particular projects. Mergers have been ruled out, if only on the grounds that such an idea would create substantial regulatory difficulties.

Lucas and Bosch of Germany, for example, between them already have overwhelming dominance in the market for diesel engine fuel injection systems.

Mr Simpson's plans emerge from a review of Lucas since he took over last April. It has already led to management changes which broke up portfolios of businesses into product-dominated groups, each with a managing director.

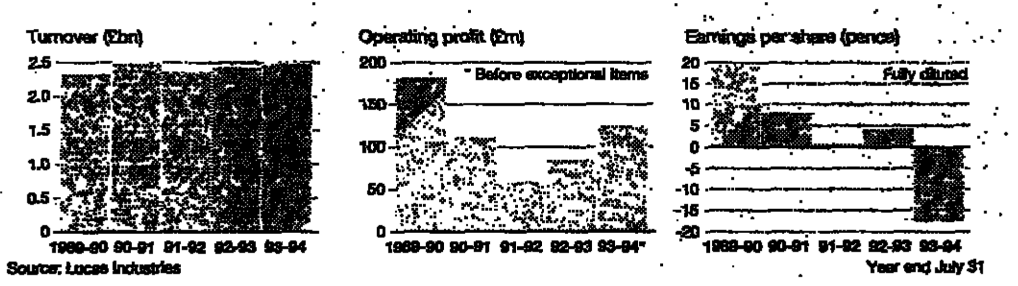
He has chosen a good time to make changes, "to create a new impetus", as he put it. The fortunes of Lucas, regardless of internal changes, are turning.

Margins in the automotive sector were 5 per cent while margins in the aerospace business were 2½ per cent. It is an indication of the distance Mr Simpson wants to travel when he said that "double digit margins would be fantastic."

Lex, Page 18

New broom cleans out the corners

The new Lucas: the nine core areas	For sale
Automotive	Lucas Communications and Electronics, US:
Diesel Systems	Auf (New York)
Braking Systems	Epsco (Massachusetts)
Body Systems	Weinschel (Maryland)
Aftermarket Operations	Zeta (California)
Aerospace	Lucas Aviation, US (California)
Engine Control Systems	Lucas Management Systems, UK
Flight Control Systems	Lucas Engineering & Systems, UK
Electrical Power Systems	**To be restructured**
Customer Support Operations	Diesel operations, France and UK
Electronics	Flight control operations, France and UK
Electronic Systems Products	Electronics operations, UK



Source: Lucas Industries

MAN Roland distributors in Europe form one company

By Richard Gourlay in London

Eight mainly family-owned businesses in six European countries have merged operations into a new company which will distribute printing equipment across the continent for MAN Roland Druckmaschinen, the German press manufacturer, it emerged yesterday.

All the companies forming the new Omnigraph group in the Netherlands already distribute MAN Roland equipment but hope to enhance their combined position. The new group will have annual sales of Fl 630m ($364m).

The Omnigraph deal, concluded at the end of last month, will provide MAN Roland with a commonly owned chain of distributors similar to that used by its main competitor, Heidelberger of Germany.

The move follows the merger in the Netherlands last year of three paper companies – KNP, Buhrmann-Tetterode and VRG Group – which left the enlarged company, KNP BT, with interests in both MAN Roland and Heidelberger distributors.

This deal gave KNP BT an 80 per cent share of its market in Belgium and The Netherlands. The European Commission gave the company until the end of this year to dispose of one of its interests.

In a complex series of moves concluded by the formation of Omnigraph, KNP BT also sold its interests in two distributors of Heidelberger equipment in Hong Kong and South Korea this year.

KNP BT will have a seat on the advisory board of Omnigraph but will play no executive role. Omnigraph's shareholders believe the new company stands more chance of a stock market flotation once synergies have been exploited, than the individual businesses on their own.

Mr Ronnie Sauser, new chief executive of Omnigraph and part of the Swiss family-owned Magam group which injected four distributors into the new company, believes this kind of merger is likely to be repeated across Europe.

"Distributors of capital goods are more and more confronted with the demand for a unique price level across Europe," Mr Sauser said. "People have to live with lower margins and you have to make a living on other services."

Omnigraph hopes exposure to more markets will help the shareholders weather the cyclical demand for printing equipment. The company also plans to increase sales of consumable items like rollers, inks and plates for which there is a more constant level of demand.

Growing business, Page 12

J.P. Morgan opens 'black box'

By Richard Lapper in London

J.P. Morgan, the US investment bank, is to open up a central component of its "black box", an internal system for measuring financial risks, to customers and rivals – indeed to anyone who is interested.

The bank will make the system it uses to measure daily movements in interest rates – including money markets, swaps, and government bonds – exchange rates and equity indices available free of charge, even though this has taken years of work and many millions of dollars to build up. The move is designed to improve risk management and foster greater stability in markets for derivatives instruments such as swaps, futures and options whose value is "derived" from more conventional assets.

It follows reports by industry bodies, such as the Group of 30 and the Bank for International Settlements, which have stressed the benefits of a single consistent measure for calculating market risk. "This is a tool box rather than a black box," said Sir Dennis Weatherstone, chairman of J.P. Morgan, and head of the G30 study, which recommended the use of a consistent measure to calculate market risk.

"We believe this is a first step towards better risk management. It should help companies understand and come to a judgment about their risks," he added.

J.P. Morgan said the system – which it calls "RiskMetrics" – provides a consistent methodology for measuring market risks and data needed for daily evaluation of risk. It provides clients with daily data on both the rate and volatility of daily movements in rates and measures more than 100,000 correlations between more than 300 financial instruments in 15 markets. Information will be provided through public access computer networks and some other channels.

It should allow banks, fund managers and corporate treasurers to assess their exposure to market risk on a daily basis and estimate the potential effects of changes in market conditions on the value of their positions.

Background, Page 21

Kemira posts advance to FM279m ahead of issue

By Christopher Brown-Humes in Stockholm

Kemira, the Finnish state-owned chemicals group, yesterday announced a strong improvement in interim pre-tax profits ahead of the international share issue which it launches next week.

Profits before extraordinary items and taxes amounted to FM279m ($51.7m) in the first eight months, compared with FM153m in the 1993 period.

Cost-cutting, volume increases, and reduced financial expenses more than offset the impact of a stronger markka and low titanium dioxide prices.

Kemira, Finland's eighth largest company by sales, will launch its share issue next Monday, the day after the Finnish voters are expected to approve EU membership in a national referendum. The move, part of an initial public offering, will cut state ownership to as little as 71 per cent from 100 per cent, in line with the government's plans to widen ownership in state-owned companies.

Up to 35m shares will be offered, with indicative pricing in the range of FM37 to FM44 a share.

Proceeds will be used to reduce net debt to FM6.4bn from FM7.9bn and lower gearing to 167 per cent from 321 per cent.

The issue is being timed to reflect a cyclical upturn in many of the group's main businesses and its return to profit in 1993 after two years of losses.

Kemira expects its 1994 figures to be "significantly better" than last year, when pre-tax profits before extraordinary items amounted to FM101m. Figures in the final four months would reflect higher titanium dioxide prices, it said.

A 10 per cent strengthening in the markka reduced sales to FM7.98bn in the first eight months from FM8.18bn. Excluding currency factors, the figure was 4 per cent higher. Operating profit was 15 per cent higher at FM707m while financial expenses dropped to FM428m from FM460m.

Kemira Agro, the group's biggest division, saw a 10 per cent drop in sales to FM3.64bn due to lower agrochemicals sales, the transfer of some businesses to the chemicals division, and the stronger markka. The division's operating profits were 25 per cent higher at FM226m.

The best performance came from the chemicals division where sales were up 15 per cent and operating profits were 40 per cent higher. The unit benefited from strong demand from the pulp and paper and water treatment sectors.

Net income after taxes dropped to FM167m from FM282m and income per share fell to FM2.48 from FM3.69.

The fall reflects the change in the company's tax position following the full utilisation of tax losses carried forward in Finland.

Scottish TV hit by poor results

By Raymond Snoddy in London

The share price of Scottish Television dropped by 43p yesterday to 431p in London after the company announced considerably worse than expected half-year results.

The commercial television company, noted for programmes such as *Taggart* and *Doctor Finlay's Casebook*, produced a fall in pre-tax profit for the six months to the end of June to £1.7m ($2.68m) from £3.1m.

The company put most of the blame on the chaos in television sales house operations following the spate of ITV takeovers and new government limits on sale house ownership. An advertising boycott by Unilever, one of its large clients, accounted for about one third of the setback.

As a result Scottish TV's share of total advertising revenue dropped to 4.9 per cent in the period from 5.2 per cent.

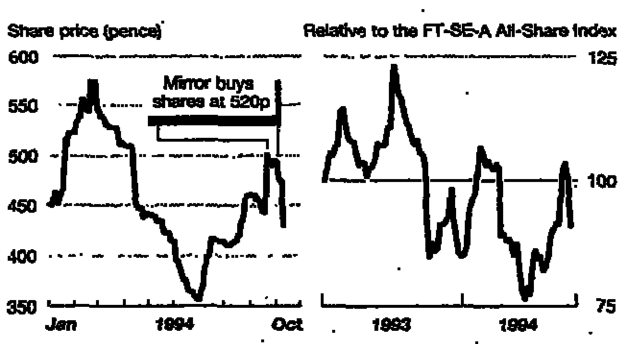
Mr William Brown, chairman, yesterday issued what was in effect a profit warning by predicting that profits for the whole year would fall to about £9m from the 1993 figure of £13.1m.

The figures came a week after The Mirror Group, publisher of titles such as the Daily Mirror and the Scottish Daily Record, bought a further 5 per cent in Scottish TV to take its total stake to just under 20 per cent. Last week's purchase and the original 15 per cent raid last month were both at 520p.

Yesterday's drop in price means the Mirror, which has adopted a strategy of expanding into electronic media, has a loss on paper of more than £8m on its £49m investment.

The Mirror was relaxed about the drop, yesterday arguing the share price had merely returned to where it was before the Mirror moved on the central Scotland ITV company.

Scottish TV



Source: FT Graphite

Two more executives resign from Tiphook

By Simon Davies in London

The exodus from Tiphook, the troubled UK transport leasing company, continued yesterday with the resignations of the finance director and company secretary. Half of the group's 10 board members had resigned in March.

Tiphook indicated that the latest departures reflected clashes of management style with the new chairman, Mr Ian Clubb.

Mr Andrew Chandler, finance director, is likely to receive compensation of about £100,000 ($158,000) as he had a one-year contract. This compares with the £2.68m of compensation payments made in the year ended April 1994 for a period when Tiphook made pre-tax losses of £331.1m.

Mr Philip Price, company secretary, was not a director, and it is understood that his compensation will be significantly less. Tiphook played down the significance of the departures, which were described as amicable.

Mr Clubb, the former finance director from BOC, only recently took over as chairman following his appointment in June. He was seen as wanting to stamp his authority on the finance systems of a company which has in the past found it hard to predict revenue streams.

Mr Chandler had just returned from the US, where he and Mr Robert Montague, Tiphook's chief executive, have been talking to the lawyers representing plaintiffs in a $700m US class action suit against the company.

The action is on behalf of US investors who claim they were misled when they bought $700m of bonds shortly before Tiphook's transformation from a high-flying container leasing company into a substantial lossmaker.

Tiphook said there were no developments to report from these meetings, and that they were not connected to Mr Chandler's decision to leave.

Meanwhile, it is understood that Mr Montague will shortly be served with a bankruptcy petition over a £2.3m loan.

Four Polish banks plan merger

By Christopher Bobinski in Warsaw

The consolidation of Poland's fragmented banking sector moved forward yesterday when four state-owned banks signed a letter of intent to merge their operations.

The four – Bank Zachodni in Wroclaw, Bank Depozytowo Kredytowy in Lublin, Powszechny Bank Gospodarczy in Lodz and Pomorski Bank Kredytowy in Szczecin – have set up a committee to report on the issue by the end of next month.

The move comes after state sector banks were told by the government to find partners as part of the privatisation process.

It leaves Bank Gdanski as the only bank of the nine hived off from the central bank in 1989 without a merger deal in sight.

The four banks are among Poland's 10 largest banks. The merger would give them a capital base worth 8,175.5bn zlotys ($362m), making them the second largest bank in the country.

Their combined balance sheet at the end of June was worth 112,313bn zlotys and amounted to 11 per cent of the banking system.

At the weekend, the Bank Zachodni, acting in its own right, purchased the small private Market Bank in Poznan for 6.1bn zlotys.

Market Bank, which has one branch, reported a 1bn zlotys net profit after the first half of this year.

Mr Krzysztof Kalicki, deputy finance minister responsible for the banking sector, yesterday said the Bank Przemyslowo Handlowy (PBH) in Krakow would be sold through the Warsaw stock exchange on January 14. He said one more bank would be privatised during the year in a process which is to run until 1997.

The PBH, which is presently Poland's third largest bank, is planing to work together with the listed Wielkopolski Bank Kredytowy in Poznan and the still state-owned Polish Development Bank.

Recently the Warsaw-based, state-owned Powszechny Bank Kredytowy said that it had chosen the listed Kredyt Bank as its strategic partner.

Crédit Lyonnais takes tough line

By David Buchan in Paris

Crédit Lyonnais hopes by the end of next year to recover some FFr12bn ($2.27bn) of its total FFr70bn worth of doubtful loans for which provisions have been made, Mr Jean Peyrelevade, chairman, said yesterday.

In an interview with the Agence France Presse news agency, he signalled a tougher line in pursuing creditors, and for the first time quantified the impact the bank hoped this policy would have on its balance sheet.

The bank is involved in legal action to recover its loans to Mr Bernard Tapie, the businessman-politician, and has started criminal proceedings against former staff of its International Bankers subsidiary.

Crédit Lyonnais had often been lax in trying to recover loans once provision for possible non-repayment had been made in its accounts, a bank spokesman said yesterday.

But it now has FFr70bn in provisioned loans on its books – excluding FFr40bn doubtful real estate loans transferred to a state-guaranteed company earlier this year.

Mr Peyrelevade "firmly hoped" the group's current banking business should show a profit next year. In the first half of this year, pre-tax "current" operations produced a FFr1.57bn profit. However, this was submerged in a FFr7.2bn loss on "exceptional" bank and non-bank loans inherited from the past.

But the chairman said the possibility of hiving off and privatising the purely banking parts of Crédit Lyonnais was "only one solution among 50 others".

He added that he was still negotiating with the government as to how to carry out their joint agreement that the bank should be protected from "risks latent" in past loans and investments made under his predecessor, Mr Jean-Yves Haberer.

He again denied that he told analysts on September 30 that the state would take all doubtful assets off the bank's books. Reports of such a move prompted a sharp rise in the bank's non-voting shares and led to questions from the Commission des Opérations de Bourse (COB), the stock exchange watchdog authority.

Mr Peyrelevade has so far reached FFr6.8bn towards his target of selling some FFr20bn of the bank's industrial and financial investments, and yesterday said he planned to complete "very rapidly" the sale of Crédit Lyonnais' 9.4 per cent stake in the Méridien hotel chain to Forte at the same price which the UK hotel group is paying Air France for control of Méridien.

Worms helped by 44% gain at subsidiaries

By Andrew Jack in Paris

Worms, the French holding company, yesterday reported consolidated profits of FFr381m ($72.15m) for the first half of 1994, compared with FFr362m in the first half of last year.

The contribution from the parent company was down to FFr11m from FFr106m.

The reduction was offset by a 44 per cent increase in profits from subsidiaries, which jumped to FFr370m against FFr256m last time.

Turnover at Athena Assurance, its insurance subsidiary, rose 11 per cent to FFr8.1bn, giving a profit of FFr277m against FFr217m. Largest growth came from increased life assurance business.

Profits at Demachy Worms, the group's banking holding, fell to FFr30m from FFr44m, which it said was explained by provisions in a subsidiary in relation to the declining financial markets.

Compagnie Nationale de Navigation, its shipping unit, posted a loss of FFr69m compared with FFr41m.

This was partly explained by the continued stagnant state of the oil market.

Saint Louis showed profits of FFr401m against FFr252m, fuelled particularly by its paper operations.

The figures follow a profit for the full 1993 year of FFr714m, and the company predicted further growth in the current year.

Czechs warned on 'xenophobia'

Mr Ronald Freeman, deputy head of the European Bank for Reconstruction and Development, yesterday warned Czechs against investment xenophobia after several deals involving foreign investors or management ran into trouble, Reuter reports from Prague.

He cited problems at partnerships involving Volkswagen and Air France as creating a negative impression of the Czech Republic.

"If the Czech way is xenophobia, I'm against it," he told an international conference on the Czech economy. "It's very tempting to regard the foreigner as a threat."

Mr Vladimir Dlouhy, the trade and industry minister, stressed that the Czech Republic needed more, not less foreign investment and said he believed VW's high-profile investment in Skoda Auto would prove a success.

The Czech Republic has been one of the most successful of the former eastern bloc and Soviet states in rebuilding its economy after 40 years of communism. But while the economy is growing after three years of shrinkage, the success has not been without problems.

VW has said it would sharply cut its planned investment in Skoda under its policy of belt-tightening after heavy losses.

Air France sold its 19.1 per cent stake in national carrier Ceskoslovenske Aerolinie back to the government earlier this year.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 11.10.94 Pool purchase price £/MWh	Final Prices for Trading on 13.09.94 Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.98	9.92	9.92
0100	9.97	9.60	9.60
0130	10.61	9.60	9.60
0200	24.95	9.60	9.60
0230	24.95	9.60	9.60
0300	24.95	9.60	9.60
0330	24.95	9.60	9.60
0400	16.70	9.60	9.60
0430	9.98	9.60	9.60
0500	9.98	9.60	9.60
0530	9.99	9.92	9.92
0600	10.00	9.95	9.95
0630	16.88	11.25	14.39
0700	16.88	13.19	16.33
0730	40.62	16.40	19.54
0800	38.47	17.03	20.18
0830	41.23	17.04	20.20
0900	41.35	17.07	20.23
0930	41.17	17.10	20.27
1000	41.10	17.11	20.29
1030	40.97	17.11	20.29
1100	30.71	17.10	20.28
1130	30.68	17.12	20.30
1200	30.64	17.13	20.31
1230	30.57	17.12	20.29
1300	30.47	17.08	20.25
1330	27.97	16.95	20.10
1400	31.81	16.65	19.80
1430	31.80	16.65	19.80
1500	31.80	16.65	19.79
1530	26.30	16.65	19.80
1600	26.32	16.67	19.83
1630	26.39	22.82	26.00
1700	32.94	22.86	26.05
1730	32.90	22.84	26.02
1800	38.72	22.78	25.94
1830	39.86	18.33	21.48
1900	51.32	11.75	11.76
1930	51.16	18.33	21.48
2000	50.29	18.34	21.49
2030	38.42	22.01	25.16
2100	21.13	22.01	25.15
2130	24.69	18.33	21.48
2200	19.69	17.53	20.67
2230	16.88	16.39	19.53
2300	16.68	16.06	19.20
2330	16.68	15.05	18.20
2400	10.50	13.19	16.33

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be [illegible]

Longuet favours Renault link with Mercedes-Benz

By John Ridding in Paris

Mr Gérard Longuet, the French industry minister, said yesterday that he favoured closer links between Renault, the state-owned motor group, and Mercedes-Benz of Germany.

"I would like every opportunity to be seized for Mercedes and Renault to co-operate, be it in trucks or cars," he said at the Paris motor show.

Mr Longuet's comments are the latest indication of mutual interest between the two groups. Last week, Mr Helmut Werner, chairman of Mercedes, described Renault as "a very attractive partner".

In an interview with Le Figaro newspaper, Mr Werner said that discussions had been held with Renault. He raised the possibility of co-operation in the development and production of components, arguing that increased competition in the international motor industry was forcing companies to find economies of scale.

"There are many things we can do together," said Mr Werner. He rejected, however, the idea of a merger. "Mercedes is not for marrying," he said.

Gérard Longuet: 'every opportunity should be seized'

Following the collapse of its merger plans with Volvo of Sweden at the end of 1993, Renault is also seeking to forge partnerships to reduce costs.

Earlier this year, for example, it announced an agreement with Fiat of Italy for the joint production and development of truck cabins. Renault already has agreements for the co-production of components with other car groups, including Peugeot, its domestic rival.

Mr Longuet said Renault had attained a level of quality which made it an acceptable partner for Mercedes.

The French government is launching a partial privatisation of Renault, which will bring its shareholding down from 80 per cent to just above 50 per cent. Mr Edouard Balladur, the French prime minister, has said that a complete privatisation must await the formation of industrial partnerships which can secure Renault's position in the international industry.

Analysts expect strong demand for shares in Renault's flotation, partly because of the limited nature of the operation and the strong performance of the company.

In an interview in the weekly magazine, La Synthese Financière, Mr Louis Schweitzer, Renault chairman, repeated his prediction that the group would see a sharp increase in profits this year. In 1993, Renault reported profits of FFr1.07bn ($200m).

JP Morgan offers free use of its toolbox

Richard Lapper reports on the bank's decision to open up its risk measurement system

The decision by J. P. Morgan to offer its RiskMetrics financial risk measurement system free of charge prompts an obvious question.

Why is one of the world's most powerful investment banks choosing not to charge for a service which has cost it millions of dollars to develop?

There are two basic answers. First, the move must be viewed against the background of the debate over the regulation of derivatives, which has intensified as a result of a string of recent losses.

Investors and corporate treasurers have become more frequent users of derivative products but are increasingly aware of the risks of financial loss.

Over the past 12 months losses related to derivatives – incurred by companies such as Metallgesellschaft and Kashima Oil – have amounted to more than $6bn, according to one recent estimate.

The use of a consistent measure to calculate market risk over a defined time horizon was among the leading recommendations of a study in 1993 by the so-called "Group of 30", headed by Sir Dennis Weatherstone, chairman of J. P. Morgan.

Sir Dennis said yesterday the system "will benefit the market if we can add transparency. If we didn't do something the risks of accidents were greater. By establishing a benchmark for genuinely useful risk management it could improve the market overall."

The widespread use of so-called "mark-to-market valuation" techniques has made participants in the financial markets more aware of what were previously "unseen market risks".

"RiskMetrics will promote greater transparency of risks, which is a key to identifying potential problems," adds Mr Till Guldimann, head of global research at J. P. Morgan.

> 'RiskMetrics will promote greater transparency of risks, which is a key to identifying potential problems'

Second, J. P. Morgan must also be hoping the association of its name with what it hopes will become a widely accepted benchmark will yield longer-term commercial advantages, partly through strengthening ties with existing customers.

The bank plays down the proprietary *character* of the information it is offering, arguing, for example, there is nothing new in the algorithms or mathematics deployed in the RiskMetrics system.

But it concedes the development of "common numbers and a common framework" will increase its dialogue with customers about risk management, presumably encouraging the more effective use of derivative products.

Certainly those of its customers at its Budapest "client meeting" last weekend, where the RiskMetrics system was announced, were keen on the new systems.

"The information you could get before was simply unreliable," said Mr Miguel Escriga, a director of Banco Santander, one of Spain's largest banks.

Mr Escriga pointed to information on both the volatility of financial instruments and on the correlation between the performance of various classes of assets as being "either inadequate or simply not available".

Predicting that the service would be particularly useful for medium-sized investors, he added: "Some banks offer this as a consultancy service but it is a big project and it can be expensive."

The system will not completely prevent loss, a fact underlined just two years ago when – in an otherwise highly profitable year – Morgan lost up to $150m in mortgage-backed bond trading.

Nevertheless, Mr Jacques Longerstaey, head of market risk research, said firms could now "concentrate on building good risk management systems rather than occupying themselves with collecting data, much of it hard to find".

Sir Dennis insists that Morgan is offering a "tool box" rather than its black box. "The information will help but companies will still need to make their own judgments," he says.

Outokumpu ahead at FM557m

By Christopher Brown-Humes in Stockholm

Outokumpu, the Finnish mining and metals group, yesterday announced a FM557m ($117.6m) profit before extraordinary items and taxes for the first eight months of the year.

The group said foreign exchange gains and reduced financial costs had enabled it to lift its profit from FM130m in 1993 in spite of a lower operating result.

It also highlighted the impact of cost-cutting and increased metals consumption but said these were more than offset by a 15 per cent strengthening of the markka against the dollar and generally weak metals prices.

In upbeat vein, Mr Jyrki Juusela, chief executive, said the group could expect buoyant conditions over the next few years.

"We can expect to register both growth and profitability improvement, accelerating as market conditions continue to improve," he said.

The group, which saw state ownership fall to 40 per cent during the summer following a global share offering, said sales were static at FM10.9bn, partly because of the stronger markka.

It also said its 1993 figures contained a FM900m contribution from operations which have since been sold.

Operating profit fell to FM628m from FM653m. The latest figure was fattened by FM210m in inventory gains, compared with FM17m in losses in the comparable 1993 period.

The copper products division saw the biggest improvement, with profits climbing to FM219m from FM29m. In stainless steel, profits fell to FM518m from FM635m, while technology slumped to a FM62m loss from a FM24m profit. Base metals recorded a FM6m profit after a FM28m deficit.

Reduced debt, lower interest rates and exchange gains meant the group's net financial costs dropped to FM71m from FM523m.

The group said its performance would reflect rising metal prices and expanded production following investments in its base metals and stainless steel activities. Its equity-to-assets ratio is 11 per cent higher than at the beginning of the year, at 38.0 per cent.

Dow Jones lifts income 14% to $34m

By Richard Tomkins in New York

Dow Jones, the US media group that publishes the Wall Street Journal, lifted net income by 14 per cent to $33.7m in the third quarter to September, helped by a big increase in revenues from its electronic information services division.

However, the underlying profits growth was less strong than appeared. As the company pointed out, the previous year's third quarter included an unusually high tax charge relating to an increase in federal taxation. If that had not occurred, the year-on-year increase in net income would have been 7 per cent.

Group revenues rose by 7 per cent to $501m, but operating income edged ahead only 2.5 per cent to $69.6m. Earnings per share rose from 30 cents to 34 cents.

The biggest contributor to profits growth was the company's information services division, which comprises the Dow Jones/Telerate group of real-time news services and the business information services group.

Revenues from this division, fed by growing demand for its products, surged by 15 per cent to $246.6m, lifting operating income by 22 per cent to $49.6m.

The business publications division's revenues fell by 1 per cent to $190.5m and its operating income slumped 37 per cent to $14.6m.

Ottaway Newspapers, the group's local newspaper subsidiary, increased revenues by 4 per cent to $63.9m and operating income by 12 per cent to $9.2m.

For the nine months, Dow Jones increased net income by 20 per cent to $119.9m on revenues up 7 per cent at $1.5bn. Earnings per share rose to $1.20 from $1.01.

Ontario Hydro plans more cuts

By Robert Gibbens in Montreal

Ontario Hydro, a Canadian electric power utility, is considering cutting staff by at least 2,000 in 1995, on top of reductions totalling 10,500 in 1993-94.

The utility said its projected C$700m (US$522.3m) profit for 1994 and estimated results for 1995 to 1997 fall short of its debt service and repayment commitments, intensifying cost reduction pressures.

The cuts will fall most heavily on the nuclear power division.

● Cominco, the Canadian mining group, has sold most of its mining engineering operation to H. A. Simons of Vancouver, one of the country's biggest resource engineering consultancies, for an undisclosed sum.

French ministry acts to stem losses at Eurocopter

By David Buchan in Paris

The French defence ministry is to speed up FFr800m ($151.51m) of its planned purchases from Eurocopter to stem financial and job losses at the Franco-German helicopter joint venture, Mr Jean-François Bigay, Eurocopter president, said yesterday.

However, Eurocopter will end the year FFr350m in the red – compared with last year's loss of FFr462m – because of lower production and extra charges for some 350 planned voluntary redundancies at its Marignane plant near Marseilles, Mr Bigay said in an interview with the Les Echos financial daily.

The ministry's accelerated orders for 14 Fennec, Panther and Cougar helicopters and for additional spare parts will only affect the group's French division, which accounts for most of Eurocopter's production capacity.

Eurocopter is owned 70 per cent by Aérospatiale of France and 30 per cent by Deutsche Aerospace.

Mr Bigay said the ministry had been spending so much of its helicopter budget on developing the Tigre and NH-90 models that it had virtually nothing left to buy other helicopters off the production line.

The development of the NH-90 is proving a drain on Eurocopter, which is funding 18 per cent of this four-nation collaborative programme between France, Germany, Italy and the Netherlands.

INTERNATIONAL COMPANIES AND FINANCE

Japanese banks return to their roots

Some regional banks look stronger than their city counterparts, writes **Emiko Terazono**

At a time when Japan's leading commercial banks are suffering from mounting bad loans and weak demand for loans, the country's regional banks are finding business growth in their local provinces.

The Bank of Fukuoka, based in the southern island of Kyushu, is one of the many regional banks going back to the basics of regional banking. It is increasing lending to local medium-sized and small companies, while increasing procurement from deposits from retail clients.

As of last August, the bank's loans to companies based in Fukuoka prefecture rose 4.8 per cent, while lending to corporations in Tokyo and Osaka declined 6.4 per cent.

Large lot deposits from companies at money market rates fell by 5.3 per cent, while ordinary deposits from retail customers gained 5.8 per cent.

Bank of Fukuoka's return to its provincial roots reflects a sharp contrast in strategy from the "bubble" period of the late 1980s, when regional banks strived to become more like the city banks, their larger counterparts which lead the industry.

The traditionally conservative regional banks, which long relied on deposits from the retail level, shifted fund procurement from deposits to the money market, and also increased lending to larger companies based in Tokyo and Osaka.

In an effort to ride the wave of internationalisation, the regionals also expanded their overseas operations, setting up branches in New York and London. However, the rise in interest rates squeezed profit margins and, like the larger banks, regional financial institutions were hurt by the subsequent fall in asset prices. "Most of the regional banks were burned by market risk, then by credit risk," says Mr Masahiko Tsuchiya, in charge of business planning at the Bank of Fukuoka.

To tackle the bad loan problem, Bank of Fukuoka wrote off Y25.2bn ($251m) last year. It has also shifted Y20bn of its "high risk" loans from branches to its head office to allow the branches to focus on nurturing new lending, rather than having to deal with problem loans made in the past.

Regional banks' forecasts for fiscal 1994 (Y bn)

Bank	Operating revenues	Change on year (%)	Recurring profits	Change on year (%)	Net profits	Change on year (%)
Fukuoka	250	-11.5	19.0	+31.3	5.5	-5.7
Chiba	325	-9.7	23.0	+43.0	10.0	+1.5
Yokohama	500	-11.4	15.0	+5.1	8.0	-10.1
Joyo	288	-10.9	22.0	+10.5	10.0	-2.3
Ashikaga	293	-6.9	8.6	+4.9	3.6	+1.5
Hokkaido	162	-9.2	2.6	-1.8	1.5	-0.1
Shizuoka	342	-8.7	45.0	+4.5	22.5	+1.6
Hokuriku	340	-8.7	14.0	+2.1	7.0	+4.7
Hachijuni	215	-10.3	25.8	+29.9	12.5	+19.5
Hiroshima	229	-15.3	12.5	+27.6	5.0	-2.6
Totals	2,944	-10.4	187.5	+15.7	85.6	+1.6

Source: Company reports

City banks' forecasts for fiscal 1994 (Y bn)

Bank	Operating revenues	Change on year (%)	Recurring profits	Change on year (%)	Net profits	Change on year (%)
Dai-ichi Kangyo	2,500	-3.1	40.0	+6.2	32.0	-1.3
Hokkaido Tak	440	-18.7	5.5	-4.6	5.5	+31.5
Bank of Tokyo	1,550	-2.6	75.0	+2.1	51.0	+1.0
Sakura	2,500	-6.5	80.0	+27.1	36.0	+3.2
Mitsubishi	2,900	+1.7	65.0	+3.0	30.0	+1.8
Fuji	2,330	-9.7	50.0	-5.0	30.0	+12.2
Sumitomo	2,650	+0.1	75.0	+3.3	35.0	+5.0
Daiwa	1,000	+6.8	22.0	-44.3	13.0	-0.4
Sanwa	2,700	+3.4	80.0	-10.7	45.0	-14.0
Tokai	1,400	-23.6	35.0	-0.7	20.0	-3.6
Asahi	1,190	-14.4	30.0	-1.8	20.0	-3.6
Totals	21,160	-4.8	557.5	-1.0	317.5	-0.3

Source: Company reports

But while some of the smaller regional banks have been severely hurt by the increase in bad loans, the overall exposure among most banks based in the provinces to asset speculation, including real estate projects, has been lower than that of the large commercial banks. "Non-performing loans for some regional banks are the result of the weakness of local industries rather than asset speculation. At these banks, problem loans should decline quickly as the economy recovers," says Ms Alicia Ogawa, banking analyst at Salomon Brothers in Tokyo.

Thanks to the provincial business, some of the more larger regional banks are proving to be stronger than the leading 21 commercial, long-term credit, and trust banks, which hold 45 per cent of the private loan market. As with the the Bank of Fukuoka, profit margins on lending to local small businesses and consumers are higher relative to loans to large Tokyo- and Osaka-based companies.

Moreover, with long-term deposits which were contracted to retail customers two to three years ago, when interest rates reached their peak, starting to mature, regional banks are expected to see a sharp fall in funding costs over the next few years. Bank of Fukuoka, for instance, estimates that Y300bn worth of fixed-term deposits, with an average cost is 5.9 per cent, will expire during the current business year.

> 'Most of the regional banks were burned by market risk, then by credit risk' – Masahiko Tsuchiya of the Bank of Fukuoka

Meanwhile, a firm regional economy is also helping its business. Banks based in provinces where the regional economy was relatively unaffected by the "bubble economy", unlike Tokyo and Osaka, have seen sustained loan demand. Public spending on infrastructure development has remained strong in the regions, especially in the northern part of Japan, while private businesses have moved into the provinces to benefit from lower costs.

Although lending growth by the leading city banks has fallen this year for the first time on record, loan demand at regional banks remains relatively firm. For example, Bank of Fukuoka's outstanding loans in August rose 2.9 per cent to Y3,988bn from a year earlier.

The island of Kyushu, which accounts for around 8 per cent of Japan's GNP, has seen investment from the car and electronics industries over recent years. Consumption has remained firm, due to the resultant population increase. Fukuoka is trying to position itself as a city linking Japan and south-east Asia, and infrastructure projects to create its appeal as a international hub have sustained construction activity.

But with more than 5,700 regional institutions fighting for 55 per cent of the private-sector loan market, and the leading 21 banks also trying to expand in the provinces, the regional banks face mounting competition.

Mr Brian Waterhouse, banking analyst at James Capel in Tokyo, says regional banks operating in the stronger local economies are likely to see high loan growth and core earnings.

However, those whose operations are concentrated on the major urban centres such as Tokyo and Osaka, with a larger percentage of problem real estate loans on their books, are unlikely to see strong profits growth over the next two to three years.

Mr Tsuchiya at the Bank of Fukuoka says strong ties to local companies is the key to competitiveness.

City banks moving into Fukuoka lack the network and information to expand business aggressively, while smaller regional banks do not have the status which the Bank of Fukuoka still maintains within the region. "We're thankful that dealing with the Bank of Fukuoka still means something for many small and medium companies," he says.

NEWS DIGEST

Danone looks at Colman's food and drinks side

Groupe Danone is studying a possible acquisition of the Colman's food and drinks businesses of the UK's Reckitt and Colman, a spokesman for the French food group said yesterday, writes **John Ridding in Paris**.

According to the spokesman, the study is at an early stage. He said it was natural that Danone would be interested in buying an important force in its own markets when the opportunity arose.

The possibility of the acquisition of Colman's follows the decision by Reckitt and Colman to sell assets to finance its $1.55bn acquisition of L&F Household, a subsidiary of Eastman Kodak of the US. Industry observers estimated that the Colman's food and drinks operations, which include well-known brands such as Colman's mustards and Robinson's soft drinks, are worth between £250m ($395m) and £300m.

Colman's operations would complement Danone's existing businesses. The French group is the market leader in mustards in France and already owns the Maille and Amora brands. Each of these brand lines achieves annual sales of about FFr1.2bn ($22m). Danone, however, is just one of the companies thought to be interested the acquisition of Colman's. Corn Products of the US and Rank Hovis McDougall of the UK are also considered to be likely candidates.

US in Bulgarian investment drive

The US has opened an office in Sofia to promote US-Bulgarian investment and trade, writes **Theodor Trev in Sofia**.

US investment has accounted for only 6.5 per cent of the total foreign investment in Bulgaria since 1990, according to Bulgarian government figures.

US companies are lagging Germany, the biggest investor with 40.6 per cent of the total foreign investment, the Netherlands (10.2 per cent), Switzerland (9.2 per cent), and Belgium (7.1 per cent).

The US office is located at Sofia's World Trade Centre and consists of professional office space, direct telecommunications with the US, support personnel and a range of consulting services.

It will try to attract US companies to the Bulgarian market and support their establishment by providing services at a reduced or no-charge basis.

The venture has been almost totally funded by contributions from US companies.

Singapore Aerospace to sell offshoots

Singapore Aerospace said it planned to sell two wholly-owned subsidiaries to state-owned Singapore Technologies Venture S$52.7m (US$35.6m), Reuter reports from Singapore.

It said the sale of Singapore Aerospace Manufacturing (SAM) and California Avi-Tron Corp (CAT) would allow SAE and its subsidiaries to concentrate on aircraft maintenance and modification.

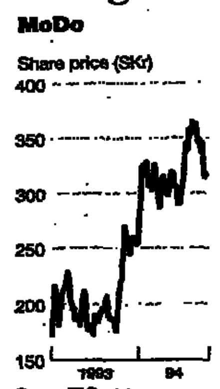
Singapore-incorporated SAM began as a maker of military aircraft parts, but commercial aircraft parts now account for most of its turnover.

CAT, incorporated in California, is a subcontractor for sheet-metal products including window frames, shrouds and plenums for Boeing aircraft.

SAE said the aircraft industry had been hard hit by overcapacity and global economic slowdown.

The purchase of SAM and CAT will enable Singapore Technologies Venture to broaden its engineering base to support aero-parts manufacturing and other precision manufacturing.

MoDo has no plans for rights issue



Source: FT Graphite

MoDo, Swedish forestry products group, does not plan to go ahead with any rights issue, in spite of shareholder approval to launch one, Reuter reports from Stockholm. As a result of speculation about a possible rights issue, the company's board has decided that the authority granted for a rights issue at an ordinary shareholders' meeting on May 26 will not be used, MoDo said. The shareholder meeting gave the company authority to make an issue of up to 4m B shares between that meeting and the 1995 annual shareholders' meeting.

The company also addressed another subject of market speculation – its plan to consider building a third newsprint machine at its Braviken papermill.

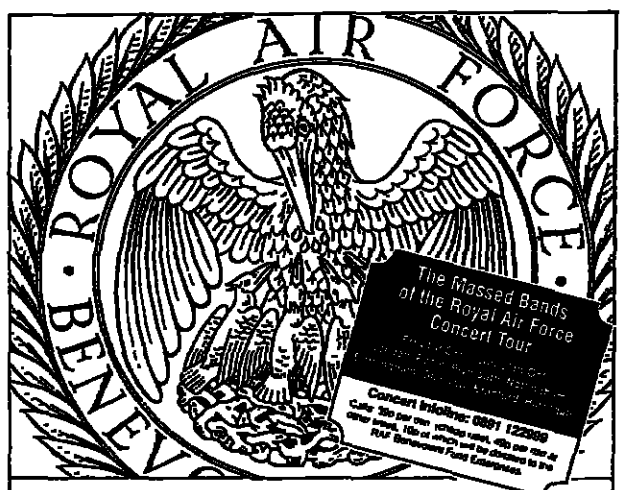
It said that a final decision in principle would be taken at a board meeting planned for November 24.

More banks head for Philippines

Spain's Banco Santander and Malayan Banking Corp have joined 28 other foreign banks seeking to set up full service branches in the Philippines, Mr Gabriel Singson, the central bank governor, said, Reuter reports from Manila.

Mr Singson said the implementing rules and regulations of the foreign bank liberalisation law, which was passed last May, would be announced during the next two weeks.

This would also be the signal for the foreign banks to formally apply for the 10 licences available. The first selections will be announced by first quarter of next year.



Thai power company launches flotation roadshow

By Victor Mallet in Bangkok

Electricity Generating Co (Egco), which is poised to become Thailand's first privatised power company after months of delays, will launch a roadshow next week to publicise its flotation.

Bangkok stockbrokers said yesterday that the company should complete its initial public offering in November.

Egco, a subsidiary of the state-owned Electricity Generating Authority of Thailand (Egat), has successfully arranged Bt14.75bn ($590m) of debt financing and plans to raise nearly Bt5bn more by selling its shares.

Egco stock is expected to begin trading on the Stock Exchange of Thailand in December or January.

The money raised is to fund the purchase of an Egat power station at Rayong, south-east of Bangkok.

Egco also has the option of buying the Khanom power station being completed in Nakhon Si Thammarat in the south of the country.

In line with the Thai practice of partial privatisation of state enterprises, only 50 per cent of the shares will be sold to the public, with Egat keeping 48 per cent and 2 per cent going to the Crown Property Bureau. Full details of the offering have yet to be released.

Brokers say that demand for the shares is likely be strong. The Thai economy is growing at more than 8 per cent a year, and electricity use has been increasing even faster.

Furthermore, the pricing formula agreed between Egat and Egco ensures Egco a predictable income because it is based on Egco's usable capacity and not on the amount of electricity actually produced and sent to the grid.

Egco executives say they expect their company to take part in future projects by independent power producers (IPPs), although since Egco will still be controlled by Egat it would appear to enjoy an unfair advantage in bidding for concessions to be granted by Egat itself. The World Bank has therefore recommended that Egco be fully privatised.

Egat has asked IPPs to propose by February next year power projects to produce 3,800MW in three tranches from 2000 to 2002.

By then, Egat and the metropolitan and provincial distribution authorities are expected to have sold some of their equity to private investors.

Egat believes that Thailand's demand for electricity, currently around 10,500MW, will rise by about 1,000MW annually over the next few years.

The organisation wants the private sector to share the cost of expanding capacity, estimated at about Bt900bn in the next decade.

Campari stirred as the dynasty adds a dash of Dutch

BolsWessanen is the first outsider to take a stake in the Italian drinks company, says Andrew Hill

A measure of Campari, a shot of artichoke-based Cynar, a few bottles of the non-alcoholic aperitif Crodino, a magnum of Riccadonna sparkling wine, and a bucketful of assorted mineral waters, vermouths and grappa. As a cocktail, it sounds unpalatable, but as a business deal the drinks' producers Davide Campari-Milano and BolsWessanen hope it will prove to be surprisingly drinkable.

Campari, privately owned since its foundation in 1860, and BolsWessanen, the Amsterdam-quoted food and drink company, agreed last month on a delicately-balanced strategic alliance.

The deal, which should be completed around the end of the year if approved by the Italian anti-trust authorities, involves the transfer of BolsWessanen's Italian drinks business to Campari. In exchange, the Dutch group will receive a stake of around 33 per cent in Campari.

If this is an interesting move for BolsWessanen, it is akin to an earthquake for Davide Campari-Milano. It will be the first time investors unconnected to the original Campari dynasty have held shares in the company and the first substantial diversification beyond the company's trio of Campari-based products, bitters, soda and cordial.

Adding the BolsWessanen brands and production facilities in Italy will nearly double Campari's annual turnover, which was L401bn ($257.7m) in 1993. In 1994, core Campari sales should generate L430bn, but income from the former BolsWessanen operations will add a further L354bn.

In the past Davide Campari-Milano has turned down other international suitors, but Mr Marco Perelli-Cippo, managing director, says the fear of allowing Campari shares to fall into the hands of outsiders "has been analysed and overcome". "We are more afraid of the dimensions of the acquisition," he explains, adding that it will take about a year to digest the old BolsWessanen activities.

"Frankly I would have preferred to carry out a slightly smaller purchase at first and then pass to a larger acquisition," he says.

But the deal fits into the strategy Mr Perelli-Cippo outlined for Campari this year. Campari says volume and turnover of its products are still rising, but analysts claim volume has begun to flatten in recent years as the aperitif market has come under pressure.

In April, Mr Perelli-Cippo spoke of the need to add new products to the limited Campari range and use Campari's international distribution and marketing network, which annually spends the equivalent of 10 per cent of turnover on publicity, to promote them.

Both BolsWessanen and Campari have carefully talked about the mutual benefits of strategic alliance, but for the respective domestic audiences a little judicious spin has been applied to the implications of the deal. This suggests there may well be tough negotiations about how to develop the alliance's international activities.

In the Netherlands, BolsWessanen, advised by Lazards, has underlined the synergy between the two companies' Italian operations, the prospects for "international co-operation" and the importance of acquiring a significant stake in Campari.

In Italy, Campari – advised by the specialist investment bank Colker Gelardin – has successfully peddled the line that the accord will return some proud Italian brands to Italian ownership, rather than deliver the company into the hands of the Dutch.

Marco Perelli-Cippo: fear of outsiders 'analysed and overcome'

Indeed, Campari is adamant that BolsWessanen will be unable to increase its stake in the Italian company unilaterally. Mr Perelli-Cippo briskly dismisses the suggestion the Dutch presence on the share register and in the boardroom might compromise Campari's tradition of independence. The Dutch company will have three out of 11 seats on the board, he says. This will allow BolsWessanen to take part in "general strategic decisions" which affect the value of their investment, but not in decisions on everyday operations or choice of management.

Although the exact structure of the Campari share register after the deal has not been clarified, it seems the family of the late Mr Domenico Garavoglia – one of two Campari managers to whom the company was left by the last of the Campari dynasty in the 1980s – will retain majority control of the group.

BolsWessanen is likely to acquire most of its stake, said to be worth about L500bn-L600bn, from the minority Rossi family.

As Mr Perelli-Cippo puts it: "The majority shareholder had already developed the ability to handle a minority shareholder: now it's simply a question of handling a minority shareholder who speaks Italian less well."

Whether this is a comfortable arrangement for both parties will depend partly on what happens in the continuing negotiations about the alliance's international potential, the part which most interests BolsWessanen.

"Bols drives a very hard bargain," says Mr Leon Stelmach of Canadean, specialists in marketing and information for the beverage industry. "I can't imagine that Campari has such a wonderful deal."

The Dutch company has said it expected a higher profit contribution from Italy in 1996, once its activities were integrated with those of Campari. But a spokesman adds: "We don't just have a share in Davide Campari in Italy, we have a sizeable share in Davide Campari worldwide. That's where we would have an influence."

Outside Italy, the companies have duplicate production facilities in certain countries. For example, even after the deal has been concluded, production of the Cynar aperitif in Switzerland and Brazil will remain under Dutch control, while production of Campari in the same countries will belong to the Italians.

Detailed discussions will concentrate on the interpretation of existing international licensing, marketing and distribution agreements. But in the longer term, BolsWessanen will try to use its boardroom influence to exploit the agreement's international potential.

As for Campari, it is not expected to wait another 134 years before making its next strategic move. It may even seek a stock exchange listing, but only if it needs to raise capital. For the time being, however, Mr Perelli-Cippo is content to concentrate on the latest challenge. "After all, if you put too many steaks on the grill, they'll all end up burnt," he says.

Lower metal prices hit Alcoa Australia

By Bruce Jacques in Sydney

Alcoa of Australia, the integrated aluminium group, has suffered a 35 per cent slide in net earnings for the nine months to September, reflecting the combined effect of lower metal prices and a strengthening Australian dollar.

The company yesterday reported trading profit down to A$196.4m (US$145m) from A$300.4m on revenues down 8 per cent to A$1.53bn from A$1.67bn. An abnormal tax gain of A$59.7m in the previous period meant that earnings available to shareholders declined by more than 45 per cent.

Directors said that lower product prices were partially offset by higher sales volumes of alumina and chemicals, and lower unit production costs for most output. An exception was gold, where lower ore grades cut production and increased costs per ounce.

The company has reacted to tighter conditions by cutting capital spending to A$82.7m from A$138m and dividend payouts to A$180m from A$280m in the nine months.

Alcoa's future earnings may be threatened further by a dispute with the Victoria state government over the pricing of electric power to its Portland smelter. The government has withdrawn some of the smelter's power supply, but directors said yesterday that it was still operating at about 90 per cent of capacity.

The lastest result followed a reduced tax provision of A$84.3m (A$152.5m previously) and depreciation of A$114.2m, compared with A$111.2m. Interest expense eased to A$12.8m from A$20.6m in the period.

Algoma seeks capital for C$500m upgrade

By Robert Gibbens in Montreal

Algoma Steel, saved from collapse in mid-1992 at the height of the recession and now solidly profitable, plans to recapitalise to pave the way for a C$500m (US$373m) investment programme.

Algoma wants to complete modernisation before the next cyclical steel downturn arrives, said Mr Allan Hopkins, president.

Mr Hopkins said the recapitalisation would focus on Algoma's preferred capital, debt structure and future sources of external finance. He would not comment on industry suggestions that Algoma's seamless tube plant may be put up for sale.

Algoma, based in Sault Ste Marie, Ontario, specialises in sheet, tube and plate. It was formerly controlled by Dofasco, Canada's leading steelmaker, but is now widely held.

The employees, in return for pay concessions in 1992, will own 60 per cent of the existing equity by 1997.

In the first half Algoma earned C$49.2m, or $1.87 a share, on revenues of C$528m.

INTERNATIONAL CAPITAL MARKETS

Bunds higher as traders bank on Kohl victory

By Martin Brice

European government bond prices rose yesterday, led by the German market. The US markets were closed and European dealing was slow, with investors thin on the ground ahead of this week's data from the US, a Bundesbank council meeting on Thursday and the German election.

■ German government bonds were lifted in a futures-driven squeeze as investors prepared their positions for a victory by the coalition government led by Chancellor Helmut Kohl in the federal election on Sunday.

"A Kohl victory is now priced into the market," said Ms Alison Cottrell, senior international economist at Kidder Peabody in London.

This view was shared by Mr Nigel Richardson at Yamaichi in London. "There is a general degree of optimism that he will be re-elected," he said.

He added: "The general election does not represent a major threat to policy on supply, and any risk premium in the market is not justified."

Mr Martin Korbmacher at J.P. Morgan in Frankfurt said there was now a 70 per cent probability that Chancellor Kohl would stay in office.

"It will be business as usual," Mr Korbmacher said. He added that business was thin yesterday, with a total of 82,000 contracts traded on Liffe and 33,000 on the Deutsche Terminbörse.

The December bund future was around 89.07 in late trading, up 0.67 point on the day.

■ The UK government bond market took its tone from bunds, and on Liffe the December long gilt future was around 100⅝ in late trading, a rise of ⅛ on the day. The yield spread over bunds was around 126 in late trading.

GOVERNMENT BONDS

Economists were searching the minutes of the September 7 meeting between Mr Kenneth Clarke, the chancellor, and Mr Eddie George, governor of the Bank of England, for clues to the next UK base rate increase. That meeting led to the 50 basis point rise in the base rate on September 12.

Mr Michael Saunders, at Salomon Brothers in London, believes the base rate will rise another 1 or 1½ percentage points, either later this year or early in 1995. He said: "I can't see politics playing a big role at the moment. It is in Mr Clarke's interest to act like a central banker."

Mr Simon Briscoe at S.G. Warburg believes that if the third-quarter GDP figures, which are released on October 21, are strong, then base rates will go up shortly afterwards.

He said: "It is clear the Bank is in the driving seat and it is focusing on the longer term."

The gilt market took heart from the level of agreement between the chancellor and the governor, said Mr Andrew Roberts at UBS. He said: "Mr Clarke seemed almost as willing as Eddie George to put up rates."

Mr Roberts believes gilts may do well against bunds in the coming week, with the spread coming in to around 110 basis points. He said: "You have a feeling of domestic stability in the UK and political uncertainty in Germany."

Mr Roberts pointed out that the figures for UK producer prices, released yesterday, showed a lessening of inflationary pressure.

"Input prices may be rising but they were not passed on to output prices," Mr Roberts said.

The Bank of England is due to make an auction announcement on Friday, and Mr Roberts believes the new stock will be long-dated.

The Bank of England issued £650m in tranches of new stock yesterday.

It issued £250m of 6 per cent due 1999, £250m of 8 per cent due 2009, and £150m of 2½ per cent index-linked due 2024.

■ The yield on 10-year Spanish government bonds fell to 11.09 per cent from 11.31 per cent.

Mr Simon Maggs at UBS in London said the market may have been anticipating data due today which are expected to show a fall in inflation.

The yield on 10-year Italian government bonds fell to 12.16 per cent from 12.32 per cent, as the bonds rose in line with bunds.

Korean fund aims to raise $100m

By Graham Bowley

An investment fund investing in South Korean equities is to be launched next week by Coryo International (UK) and another UK investment company.

The Korean Golden Gate Fund will be listed in Luxembourg as a SICAV, which will allow it to hold variable amounts of capital, and will be an open-ended fund.

Coryo plans to raise around $100m, although this amount depends on investor demand, Coryo said. Coryo International is a subsidiary of Coryo Securities of Korea, South Korea's sixth largest securities investment company.

The launch comes after the announcement by the South Korean government last week that the limits on foreign ownership of company shares will be raised from 10 per cent to 12 per cent on December 1.

"Very few emerging market funds invest in South Korea," said a spokesman at Coryo International. "It is a specialist market. This fund allows exposure to South Korea and will be preferred to investing directly in stocks."

He added: "You can buy South Korean stocks at the moment above the 10 per cent ceiling, but you have to pay a huge premium."

Shares in the fund will be priced at $1,000 each and are expected to be offered to international investors in the coming weeks when the prospectus is issued and the SICAV listing is approved, Coryo said.

An application is to be made for SIB authorisation so that UK private investors can take advantage of the fund.

Coryo has invested $10m in the fund. It has raised a further $50m to $75m so far in Europe, mainly from institutional investors in France and Germany.

It will complete a series of meetings with private investors in Europe next week, the spokesman said.

The fund will invest in Korean equities and other instruments such as North Korean US dollar-denominated convertible bonds.

Citibank sells Adia warrants

Citibank (Switzerland), a Zurich-based subsidiary of Citicorp of the US, has announced that it is lead-managing the sale of 1m call warrants on the bearer shares of Adia SA, the Swiss parent of the temporary employment services group, AP-DJ reports from Zurich.

The warrants will be issued by Citibank Aktiengesellschaft of Frankfurt, and will be priced at SFr13 each. Five warrants will be exercisable into one Adia bearer share.

The exercise period runs from October 26 1994 until June 28 1996, and the exercise price has been set at SFr230.

The gearing on the warrants is 3.26, based on the current stock price of SFr212. The payment date for the issue is October 25.

GECC launches two-year sterling offering

By Graham Bowley

A short-dated sterling issue by General Electric Capital Corporation was the eurobond market's main focus of attention yesterday, in a session which saw little new issuance with North American and Japanese markets closed.

INTERNATIONAL BONDS

GECC launched a £100m offering of two-year bonds priced to yield 20 basis points over UK government bonds, in a deal lead-managed by HSBC and Paribas.

HSBC said 50 per cent of sales were made to UK institutions. There was also broad demand from retail investors in France, the Benelux region, Switzerland and south-east Asia, Paribas said.

"We are seeing a lot more international flows at the short-end of curves and hence this deal and our recent deals for Abbey National and Sweden," a syndicate manager at Paribas said.

The launch was boosted by the better tone in the gilts market, which has outperformed other domestic European markets over the last week, the syndicate manager said.

The sterling market has also been supported by the current strength of the pound and by reports that UK economic growth is moderating, a syndicate manager at HSBC said. "There is now less immediate pressure upwards on UK interest rates," he said. He also emphasised that HSBC was seeing very strong institutional demand, as well as retail demand, for bonds.

In the D-Mark sector, Statkraft, the Norwegian state-owned electricity generator, launched its debut eurobond with a DM300m five-year offer.

Lead manager Deutsche Bank reported demand from Japanese banks, UK institutions and German funds attracted by the relatively high spread.

"Very rarely does a new name of high quality come to the market," said a syndicate official at Deutsche Bank. "There has been a number of recent issues in the five-year D-Mark area, which has made this sector difficult, but it still went very well."

Statkraft is unlikely to come to the market again this year, although when it does it is likely to tap the dollar sector, sources said.

The dollar sector saw two five-year FRN issues. Cariplo London launched $150m of bonds priced to yield 12½ basis points over three-month Libor. The Hellenic Republic issued $200m of bonds priced to yield 80 basis points over six-month Libor.

"Both deals are tightly priced, whatever that means in current conditions. At the moment, the market lacks direction. We are in a bear market and we just have to continue doing a variety of small deals that may go slowly but do at least add value," one syndicate manager said.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
The Hellenic Republic†(b)	200	(b)	100	1999	-	-	IBJ Asia
Cariplo London	150	(c)	99.78R	Nov.1999	0.20R	-	SBC
STERLING							
GECC	100	8.25	99.985R	Nov.1996	0.15R	+20 (10%-96)	HSBC/Paribas
D-MARKS							
Statkraft	300	7.50	99.84R	Nov.1999	0.25R	+35 (6¼%-99)	Deutsche Frankfurt
FRENCH FRANCS							
Philips Electronics	1bn	8.75	99.31R	Nov.2004	0.465R	+70 (7%-04)	Credit Lyonnais
GUILDERS							
ABN Amro(a)	300m	8.5	99.80R	-	0.75R	+85 (7¼%-04)	ABN Amro

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Callable every 10 years. Coupon set every 10 years at spread of 85bp over 10 year DSL. Subordinated, perpetual issue. b) Dragon Bond. Coupon pays 6 month Libor plus 80bp. c) Pays 3 month Libor plus 12.5bp.

Nordbanken to absorb parts of Carnegie unit

Nordbanken, the Swedish state-owned bank, has decided to increase significantly its services in money and bond markets to both Swedish and international customers, Reuter reports from Stockholm.

"This will happen by taking over the Swedish money and bond market operations in brokerage Carnegie," the bank said.

However, it made no comment about what would happen to Carnegie's other operations, including its equity brokerage. Carnegie is currently a wholly-owned subsidiary of Nordbanken.

Earlier this year, Nordbanken said its goal was to spread the ownership of Carnegie. It is not clear how this policy will be affected by the latest move.

In March, Westdeutsche Landesbank Girozentrale pulled out of talks to buy Carnegie.

● Meanwhile, Standard & Poor's, the US rating agency said in a special report that Swedish banks were improving their financial strength but the road to their recovery would be long and hard.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	93.1900	+0.590	10.10	10.30	10.10
Belgium		7.250	04/04	92.0300	+0.480	8.49	8.56	8.65
Canada *		6.500	06/04	83.9000	+0.200	9.04	8.92	8.94
Denmark		7.000	12/04	87.0000	+0.230	9.00	9.07	9.29
France	BTAN	8.000	05/98	101.5400	+0.420	7.59	7.56	7.45
	OAT	5.500	04/04	82.9900	+0.530	8.13	8.24	8.06
Germany Treu		7.500	09/04	99.0900	+0.620	7.63	7.63	7.55
Italy		8.500	08/04	81.0700	+0.870	11.81†	11.84	12.11
Japan	No 119	4.800	06/99	102.7360	-	4.11	3.94	3.95
		4.100	12/03	95.7800	-	4.76	4.61	4.56
Netherlands		5.750	01/04	86.1200	+0.490	7.58	7.63	7.48
Spain		8.000	05/04	82.1500	+0.800	11.09	11.22	11.37
UK Gilts		6.000	08/99	90-04	+6/32	8.53	8.74	8.53
		6.750	11/04	87-03	+8/32	8.69	8.92	8.74
		9.000	10/08	102-19	+9/32	8.67	8.86	8.70
US Treasury *		7.250	08/04	97-00	-21/32	7.69	7.66	7.45
		7.500	11/24	95-13	-32/32	7.90	7.87	7.71
ECU (French Govt)		6.000	04/04	83.1800	+0.550	8.66	8.75	8.64

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

4pm (Oct 7) — Treasury Bills and Bond Yields

		One month	4.85	Two year	6.64
Prime rate	7¾	Two month	4.89	Three year	6.94
Broker loan rate	6½	Three month	5.04	Five year	7.34
Fed.funds	4 11/16	Six month	5.55	10-year	7.69
Fed.funds at intervention	4¾	One year	6.02	30-year	7.91

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	110.24	110.86	+0.76	110.88	110.16	136,959	146,289
Mar	109.52	110.12	+0.76	109.92	109.44	294	8,382
Jun	108.76	109.36	+0.76	109.02	108.76	86	354

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Nov	Calls Dec	Calls Mar	Puts Nov	Puts Dec	Puts Mar
110	1.32	1.81	-	0.49	0.99	-
111	0.69	1.23	1.82	0.90	1.43	-
112	0.30	0.75	-	-	1.94	-
113	0.11	0.43	0.85	-	2.61	-
114	-	0.24	0.62	-	3.37	-

Est. vol. total, Calls 21,919 Puts 22,784. Previous day's open int., Calls 250,045 Puts 325,977.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	88.52	89.06	+0.66	89.15	88.46	94449	157740
Mar	87.94	88.33	+0.66	88.40	87.94	325	2517

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Nov	Calls Dec	Calls Jan	Calls Mar	Puts Nov	Puts Dec	Puts Jan	Puts Mar
8900	0.68	1.10	0.95	1.31	0.62	1.04	1.62	1.98
8950	0.44	0.85	0.75	1.10	0.88	1.29	1.92	2.27
9000	0.27	0.65	0.58	0.91	1.21	1.59	2.25	2.58

Est. vol. total, Calls 15780 Puts 8158. Previous day's open int., Calls 264836 Puts 215045

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	97.70	98.14	+0.76	98.25	97.35	25256	61913
Mar	96.90	97.38	+0.74	97.25	96.90	322	2138

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
9800	1.88	2.76	1.74	3.38
9850	1.62	2.54	1.98	3.66
9900	1.38	2.33	2.24	3.95

Est. vol. total, Calls 427 Puts 240. Previous day's open int., Calls 18844 Puts 25194

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	86.48	87.22	+0.93	87.23	86.48	27,499	78,874

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	100-16	100-18	+0-04	100-24	100-05	47470	94915
Mar	-	99-30	+0-04	-	-	0	16

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
100	1-63	2-48	1-27	2-52
101	1-29	2-19	1-57	3-23
102	1-01	1-58	2-29	3-62

Est. vol. total, Calls 2461 Puts 778. Previous day's open int., Calls 62897 Puts 38511

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	79.52	80.14	+0.64	80.20	79.50	433	8,302

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	98-10	98-14	+0-07	98-15	98-03	213,579	392,342
Mar	97-18	97-24	+0-07	97-25	97-14	1,649	25,784
Jun	97-05	97-04	+0-07	97-05	97-05	211	11,103

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	108.51	-	-	108.55	108.45	564	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Oct 10	Day's change %	Fri Oct 7	Accrued interest	xd adj. ytd		Low coupon yield Oct 10	Oct 7	Yr. ago	Medium coupon yield Oct 10	Oct 7	Yr. ago	High coupon yield Oct 10	Oct 7	Yr. ago
1 Up to 5 years (24)	119.47	+0.11	119.89	1.61	8.94	5 yrs	8.60	8.63	6.20	8.68	8.71	6.46	8.63	8.65	6.64
2 5-15 years (22)	138.54	+0.20	138.26	1.75	10.29	15 yrs	8.59	8.61	7.00	8.72	8.74	7.14	8.86	8.98	7.38
3 Over 15 years (8)	154.69	+0.09	154.55	2.42	8.81	20 yrs	8.55	8.57	7.12	8.72	8.74	7.19	8.83	8.86	7.37
4 Irredeemables (6)	176.70	+0.36	176.06	3.83	8.83	Irred.†	8.65	8.69	7.27						
5 All stocks (60)	136.02	+0.15	136.02	1.84	9.83										

Index-linked	Mon Oct 10	Day's change %	Fri Oct 7	Accrued interest	xd adj. ytd		Inflation 5% Oct 10	Oct 7	Yr. ago	Inflation 10% Oct 10	Oct 7	Yr. ago
6 Up to 5 years (2)	184.90	+0.03	184.84	0.10	5.07	Up to 5 yrs	4.08	4.08	2.53	3.00	2.99	1.76
7 Over 5 years (11)	172.41	-0.04	172.47	0.93	3.95	Over 5 yrs	3.90	3.89	3.14	3.71	3.71	2.97
8 All stocks (13)	172.83	-0.03	172.88	0.85	4.04							

Debentures and Loans	Mon Oct 10	Day's change %	Fri Oct 7	Accrued interest	xd adj. ytd	5 year yield Oct 10	Oct 7	Yr. ago	15 year yield Oct 10	Oct 7	Yr. ago	25 year yield Oct 10	Oct 7	Yr. ago
9 Debs & Loans (77)	126.68	+0.47	126.14	2.02	8.95	9.72	9.77	7.58	9.68	9.73	8.07	9.64	9.68	8.20

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Oct 10	Oct 7	Oct 6	Oct 5	Oct 4	Yr ago	High*	Low*
Govt. Secs. (UK)	90.86	90.78	90.63	90.16	90.22	102.55	107.04	89.54
Fixed Interest	107.42	107.23	107.02	106.96	106.93	124.36	133.87	106.50

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Oct 7	Oct 6	Oct 5	Oct 4	Oct 3
Gilt Edged bargains	79.8	78.9	75.5	69.0	80.2
5-day average	76.7	85.1	91.7	104.2	111.3

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on October 10

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	89⅛	89⅝	+⅛	8.31
Alberta Province 7⅝ 98	1000	99⅞	100¼	+¼	7.66
Austria 8½ 00	400	102⅞	103¼	+⅛	7.80
Bank of Tokyo 8⅛ 96	100	101⅜	101⅞		7.30
Belgium 5½ 03	1000	82¾	83	+⅛	8.28
BFCE 7¾ 97	150	101⅛	101½	+⅛	7.19
British Gas 0 21	1500	9¾	10⅛	+⅛	8.86
Canada 9 96	1000	102¾	103		6.79
Cheung Kong Fin 5½ 98	500	89¼	89¾	+¼	8.82
China 6½ 04	1000	84¾	85¼	+⅛	9.14
Council Europe 8 98	100	101½	102	+⅛	7.07
Credit Foncier 9½ 99	300	106⅜	106⅞	+⅛	7.64
Denmark 5¾ 98	1000	95⅜	95⅝	+¼	7.33
East Japan Railway 6⅝ 04	600	88⅞	89⅛	+⅛	8.37
ECSC 8¾ 96	193	102	102½		7.19
EEC 8¼ 96	100	101⅞	102¼		7.00
EIB 7¾ 96	250	101⅛	101⅜		6.94
EIB 9¼ 97	1000	105⅛	105⅜	+¼	7.33
Elec de France 9 98	200	104¼	104⅝	+¼	7.52
Eurofima 9¼ 98	100	103	103⅜		6.91
Ex-Im Bank Japan 8 02	500	99⅜	99⅝	+⅛	8.10
Export Dev Corp 9½ 98	150	105⅞	106⅜	+⅛	7.62
Federal Natl Mort 7.40 04	1500	96	96¼	+⅛	8.16
Finland 6¾ 97	3000	98¼	98½	+⅛	7.52
Finnish Export 9⅞ 95	200	102¾	103	+⅛	6.55
Ford Motor Credit 6¼ 98	1500	95⅞	96⅜		7.80
Gen Elec Capital 9⅜ 96	300	103½	103⅞	+⅛	7.02
GMAC 9⅛ 96	200	102⅛	102⅝	-⅛	7.44
Ind Bk Japan Fin 7⅞ 97	200	100½	101⅛	+⅛	7.82
Inter Amer Dev 7⅛ 98	200	101⅛	101½	+⅛	6.97
Italy 6⅞ 23	3500	78¼	78¾	+⅛	9.22
Japan Dev Bk 8⅛ 01	500	101¾	102⅛	+¼	8.09
Kansai Elec Pwr 10 96	350	104	104⅜		6.99
Korea Elec Power 6⅜ 03	1350	84¼	84¾	+¼	9.13
LTCB Fin 8 97	200	100¾	101⅜	+⅛	7.80
Matsushita Elec 7¼ 02	1000	94⅞	95⅜	+⅛	8.21
Norway 7¼ 97	1000	100⅛	100⅜	+⅛	7.17
Ontario 7⅜ 03	3000	94¼	95	+⅛	8.43
Oster Kontrollbank 8½ 01	200	102⅝	102⅞	+⅛	7.95
Petro-Canada 7¼ 96	200	100¼	100¾	+⅛	7.04
Portugal 5¾ 03	1000	84⅜	84⅝	+⅛	8.41
Quebec Hydro 9¾ 98	150	105¾	106¼	+⅛	8.00
Quebec Prov 9 98	200	103⅛	103⅝	+¼	7.91
Sainsbury 9⅛ 96	150	103⅛	103¾	-⅛	7.37
SAS 10 99	200	104⅞	105⅝	+⅛	8.59
SNCF 9½ 98	150	106	106⅜	+⅛	7.60
Spain 6½ 99	1500	94⅞	95⅛	+¼	7.76
State Bk NSW 8½ 96	200	102	102½	+⅛	7.19
Sweden 5½ 95	2500	98⅞	99	+⅛	6.53
Swedish Export 8⅜ 96	700	102	102¼	+⅛	6.87
Tokyo Elec Power 6⅛ 03	1000	87	87¼	+⅛	8.25
Tokyo Metropolis 8¾ 96	200	102⅛	102⅜	+⅛	7.10
Toyota Motor 5⅝ 98	1500	94½	94¾	+⅛	7.48
United Kingdom 7¼ 02	3000	95½	95⅝	+⅛	8.02
World Bank 8⅜ 99	1500	103½	103¾	+⅛	7.86
World Bank 8¾ 97	1500	103¾	104	+⅛	7.14
DEUTSCHE MARK STRAIGHTS					
Austria 6½ 24	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Foncier 7¼ 03	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 6⅛ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Depfa Finance 6½ 03	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutsche Bk Fin 7½ 03	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 6½ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 6¼ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 7½ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy 7¼ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LKB Baden-Wuert 6⅝ 03	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway 6¼ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ontario 6¼ 04	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain 7¼ 03	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden 8 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Issued	Bid	Offer	Chg.	Yield
United Kingdom 7⅛ 97	5500	100½	100⅝	+⅛	6.93
Volkswagen Intl Fin 7 03	1000	93¾	94¼	+⅛	8.02
World Bank 0 15	2000	20	20¾	+⅛	7.89
World Bank 5⅞ 03	3000	87¾	87⅞	-⅛	7.80
World Bank 8¾ 00	1250	109⅝	110⅛	+⅛	6.60
SWISS FRANC STRAIGHTS					
Asian Dev Bank 6 10	100	99	100	-¼	6.10
Austria 4½ 03	1000	88	88¼		5.38
Council Europe 4¾ 98	250	98¾	99¼	-¼	5.16
Denmark 4¼ 99	1000	95¼	95½		5.36
EIB 6¾ 04	300	105	105½	+¼	6.07
Elec de France 7¼ 06	100	107⅝	108½	+⅛	6.28
Finland 7¼ 99	300	106¾	107½	+¼	5.66
Hyundai Motor Fin 8½ 97	100	105¼	106¼		6.46
Iceland 7⅞ 00	100	107	108		6.15
Kobe 6⅜ 01	240	103	103¼		5.82
Ontario 6¼ 03	400	99¾	100¼	+¼	6.28
Quebec Hydro 5 08	100	84	85½	-½	6.65
SNCF 7 04	450	106¾	107¼		6.08
World Bank 5 03	150	95	95½	-¼	5.73
World Bank 7 01	600	106	106½		5.84
YEN STRAIGHTS					
Belgium 5 99	75000	102	102¼	-⅛	4.55
EIB 6⅝ 00	100000	109⅜	109⅝	-⅛	4.63
Finland 6¾ 96	50000	104⅝	105	-⅛	3.34
Inter Amer Dev 7¼ 00	30000	112¾	113	-⅛	4.61
Italy 3½ 01	300000	91¼	91⅜	-¼	5.12
Japan Dev Bk 5 99	100000	102⅝	102¾	-⅛	4.40
Japan Dev Bk 6½ 01	120000	109¾	110	-¼	4.81
Nippon Tel Tel 5⅞ 96	50000	104⅜	104⅝	-⅛	3.52
Norway 5⅜ 97	150000	103⅝	103⅞	-⅛	3.72
SNCF 6¾ 00	30000	109¾	110	-⅛	4.66
Spain 5¾ 02	125000	105⅜	105½	-⅛	4.87
Sweden 4⅝ 98	150000	101⅛	101⅜	-⅛	4.25
World Bank 5¼ 02	250000	102¾	102⅞	-¼	4.87
OTHER STRAIGHTS					
Genfinance Lux 9⅛ 99 LFr	1000	104⅜	105¼		7.81
IKB Deut Industrbk 8½ 03 LFr	3000	100¼	101¼		8.45
World Bank 8 96 LFr	1000	100	101		7.95
ABN Amro 6⅝ 00 Fl	1000	95⅝	95⅞	+⅛	7.62
Bank Ned Gemeenten 7 03 Fl	1500	92⅞	93⅛	+¼	8.19
Alberta Province 10⅝ 96 C$	500	103⅝	103⅞	+⅛	7.82
Bell Canada 10⅝ 99 C$	150	104⅝	105¼	+⅛	9.35
British Columbia 10 96 C$	500	103⅛	103½	+⅛	7.95
EIB 10⅛ 98 C$	130	105	106⅛		8.35
Elec de France 9¾ 99 C$	275	102⅝	103¼	+⅛	9.06
Gen Elec Capital 10 96 C$	300	103	103½	+¼	7.95
KfW Int Fin 10 01 C$	400	102⅝	103¼	+⅛	9.41
Nippon Tel Tel 10¼ 99 C$	200	104½	105⅛	+¼	9.09
Ontario 8 03 C$	1500	91⅝	91⅞	+⅛	9.69
Ontario Hydro 10⅞ 99 C$	500	108	108⅜	+¼	9.15
Oster Kontrollbank 10¼ 99 C$	150	104⅜	105	+¼	9.07
Quebec Prov 10½ 98 C$	200	104⅛	104⅜	+⅛	9.20
Belgium 9⅛ 96 Ecu	1250	102⅛	102¼	+⅛	7.45
Council Europe 9 01 Ecu	1100	100⅞	101¼	+⅛	8.82
Credit Lyonnais 9 96 Ecu	125	101½	102	+⅛	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Issued	Bid	Offer	Chg.	Yield
Abbey Natl Treasury 8 03 £	1000	90¾	91⅛	+⅛	9.63
Alliance Leics 11⅞ 97 £	100	105¾	106⅛	+⅛	8.74
British Land 8⅞ 23 £	150	86⅝	87⅛	-½	10.60
Denmark 6¾ 98 £	800	93⅛	93½	+⅛	8.92
EIB 10 97 £	637	103	103⅜		8.47
Halifax 10⅜ 97 £	100	103⅝	104		8.59
Hanson 10⅜ 97 £	500	103¼	103¾		9.09
HSBC Holdings 11.69 02 £	153	108⅛	108⅝	-¼	10.12
Italy 10½ 14 £	400	105⅞	106¼	+⅛	9.80
Japan Dev Bk 7 00 £	200	91⅜	91¾	+⅛	8.91
Land Secs 9½ 07 £	200	96⅝	96⅞	-¼	9.97
Ontario 11⅛ 01 £	100	107¼	107⅝	+¼	9.53
Powergen 8⅞ 03 £	250	95¾	96	+¼	9.61
Severn Trent 11½ 99 £	150	107¾	108¼		9.38
Tokyo Elec Power 11 01 £	150	107¼	107¾		9.46
Abbey National 0 96 NZ$	700	80½	84½		9.52
TCNZ Fin 9¼ 02 NZ$	75	95⅝	96⅝	-⅛	10.08
Credit Local 6 01 FFr	7000	88½	88¾	+½	8.20
Elec de France 8¾ 22 FFr	3000	98¾	99⅛	+1⅛	8.87
SNCF 9¾ 97 FFr	4000	104	104⅛	+⅛	7.40

FLOATING RATE NOTES

	Issued	Bid	Offer	C.cpn
Abbey Natl Treasury -1/16 99	1000	99.36	99.44	4.9375
Banco Roma 0 99	200	99.87	100.02	5.5625
Belgium 1/16 97 DM	500	100.13	100.23	5.1250
BFCE -0.02 98	350	99.72	99.84	4.7300
Britannia 0.10 96 £	150	99.92	100.02	5.4125
Canada -⅛ 99	2000	99.16	99.23	4.6250
CCCE 0 06 Ecu	200	98.95	99.14	5.8229
Credit Lyonnais ⅛ 00	300	97.51	98.02	5.3125
Denmark -⅛ 96	1000	99.57	99.66	5.0625
Dresdner Finance ⅛ 98 DM	1000	99.98	100.08	5.0938
Ferro del Stat 0.10 97	420	99.95	100.13	5.1000
Finland 0 97	1000	99.94	100.03	5.3750
Ireland 0 98	300	99.67	99.79	4.8800
Italy ⅛ 98	2000	100.13	100.20	5.5000
LKB Baden-Wuert Fin -⅛ 98	1000	99.42	99.51	4.5625
Lloyds Bank Perp S 0.10	600	82.82	83.82	5.4125
Malaysia 1/16 05	650	99.34	99.66	5.9375
New Zealand -⅛ 99	1000	99.58	99.67	5.4453
Ontario 0 99	2000	99.48	99.56	4.9375
Renfe 0 98	500	99.38	99.56	5.1250
Societe Generale 0 96	300	99.60	99.72	5.3750
Staatsbank Berlin -0.05 96 DM	6000	99.92	99.98	5.2000
State Bk Victoria 0.05 99	125	99.72	99.92	5.1125
Sweden 0 98	1500	99.81	99.88	5.0000
Sweden -⅛ 01	2000	98.62	98.72	4.8250
United Kingdom -⅛ 96	4000	99.77	99.82	5.0000

CONVERTIBLE BONDS

	Issued	Conv. Price	Bid	Offer	Prem.
Browning-Ferris 6¾ 05	400	52½	93⅛	94⅝	+58.99
Chubb Capital 6 98	250	86	100⅞	101⅝	+22.40
Gold Kalgoorlie 7½ 00	65	1.0554	111⅞	113⅛	+29.04
Hanson 9½ 06 £	500	2.5875	104⅛	105⅛	+18.69
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Shorts* (Lives up to Five Years)	Notes	Yield Int	Yield Red	Price £	+ or -	1994 High	1994 Low
Treas 9pc 1994‡‡		8.97	5.64	100⅛	-⅛	103⅞	100⅛
12pc 1995		11.79	5.67	101⅞	-⅛	107⅛	101⅞
Exch 3pc Gas 1990-95		3.05	5.71	98½xd	-⅛	98⅞	97¼
10¼pc 1995		9.98	6.57	102⅞	-⅛	107⅞	102⅝
Treas 12¾pc 1995‡‡		12.02	6.94	106⅛xd	+⅛	113⅞	105⅞
14pc 1996		12.97	7.28	107⅞	-⅛	117⅛	107⅞
15¼pc 1996‡‡		13.70	7.49	111⅛xd	—	121⅞	111⅛
Exch 13¼pc 1996‡‡		12.22	7.57	108⅞xd	+⅛	117⅞	108⅛
Conversion 10pc 1996		9.61	7.83	104⅛xd	+⅛	112⅛	103⅛
Treas Cnv 7pc 1997‡‡		7.16	7.90	97⅞	+⅛	100⅞	96⅝
Treas 13¼pc 1997‡‡		11.96	7.57	110¾	+⅛	121⅞	110⅛
Exch 10½pc 1997		9.99	8.01	105¼	+⅛	114⅛	104½
Treas 8¾pc 1997‡‡		8.64	8.19	101⅛	+⅛	110⅛	100⅛
Exch 15pc 1997		12.77	8.34	117½xd	+⅛	131⅞	116⅞
9¾pc 1998		9.41	8.40	103⅞	+⅛	114⅞	102⅞
Treas 7¼pc 1998‡‡		7.50	8.37	96⅝	+⅛	106⅛	95⅝
Treas 6¾pc 1995-98‡‡		7.10	8.38	95⅛xd	+⅛	102	93⅞
14pc 1998-1		12.04	8.63	116¼	+⅛	131⅞	115⅞
Treas 15½pc '98‡‡		12.59	8.47	123¼	+⅛	140⅛	122⅛
Exch 12pc 1998		10.78	8.63	111⅛	+⅛	125⅞	110⅛
Treas 9½pc 1999‡‡		9.21	8.59	103¼	+⅛	116⅛	101⅞
Five to Fifteen Years							
Exch 12¼pc 1999		10.85	8.68	112⅞	+⅛	128⅞	111⅞
Treas 10½pc 1999		9.83	8.68	106⅞	+⅛	121⅛	105⅛
Treas 6pc 1999‡‡		6.66	8.53	90⅛	+⅛	101⅛	88⅞
Conversion 10¼pc 1999		9.68	8.71	106⅛	+⅛	121⅞	104⅞
Treas Flg Rate 1999		-	-	99⅞	—	100⅛	99⅞
Conv 9pc 2000‡‡		8.88	8.65	101⅞	+⅛	116⅛	99⅞
Treas 13pc 2000		10.99	8.83	118¼	—	138⅞	116⅞
10pc 2001		9.49	8.85	105⅞	+⅛	122⅛	103½
7pc 2001‡‡		7.69	8.74	90⅞xd	+⅛	106⅛	88⅞
9¾pc 2002		9.31	8.86	104⅛	+⅛	123⅛	102⅞
8pc 2003‡‡		8.41	8.80	95⅛	+⅛	113⅞	92⅞
10pc 2003		9.36	8.87	106⅞	+⅛	127⅛	104½
Treas 11½pc 2001-4		10.29	9.02	111⅞	+⅛	129⅞	109⅞

	Notes	Yield Int	Yield Red	Price £	+ or -	1994 High	1994 Low
Funding 3½pc 1999-4		4.85	7.57	72⅛	+⅛	86⅛	69¾
Conversion 9½pc 2004		9.08	8.78	104⅝xd	+⅛	125⅛	101⅞
Treas 6¾pc 2004‡‡		7.75	8.68	87⅛	+⅛	105¼	84⅞
6¼pc 2005		8.62	8.68	98⅞	+⅛	98⅞	97
Conv 9½pc 2005		9.05	8.77	104⅞xd	+¼	125½	102⅛
Treas 12½pc 2003-5		10.35	9.09	120⅞	+⅛	143⅛	118⅛
7¾pc 2006‡‡		8.32	8.67	93⅛	+⅛	112⅞	90⅞
8pc 2002-6‡‡		8.47	8.75	94½	+⅛	111⅝	91⅞
Treas 11¾pc 2003-7		10.23	9.13	114⅞	+⅛	136⅛	112¼
Treas 8½pc 2007‡‡		8.62	8.68	98⅛	+⅛	119⅛	95⅞
13½pc 2004-8		10.58	9.09	127⅛	+⅛	151⅛	124⅞
Treas 9pc 2008‡‡		8.77	8.67	102⅝xd	+¼	124⅞	99⅞
Over Fifteen Years							
Treas 8pc 2009		8.47	8.66	94½	+⅛	115⅛	91⅞
Treas 6 1/4pc 2010		7.81	8.54	80⅛	+⅛	98⅛	77⅞
Conv 9pc Ln 2011‡‡		8.74	8.65	103	—	126⅞	100⅞
Treas 9pc 2012‡‡		8.72	8.63	103¼	+⅛	127⅛	100⅞
Treas 5½pc 2008-12‡‡		7.47	8.36	73⅝	-¼	93⅞	71¼
Treas 8pc 2013‡‡		8.47	8.59	94⅞	—	117⅞	92
7¾pc 2012-15‡‡		8.43	8.58	91⅞	+⅛	114¼	89⅛
Treas 8¼pc 2017‡‡		8.60	8.57	101⅛	+⅛	128¼	99⅛
Exch 12pc 2013-17		9.28	8.80	129⅛	+⅛	158½	126⅛
Undated							
Consols 4pc		8.79	-	45½	+⅛	59⅛	44⅞
War Loan 3½pc‡‡		8.60	-	40⅞	+⅛	54⅞	39⅞
Conv 3½pc '61 Aft		6.11	-	57⅛	+⅛	71	55⅝
Treas 3pc '66 Aft		8.66	-	34⅝	—	44⅝	33⅞
Consols 2½pc		8.69	-	28⅞	-⅛	38½	28⅛
Treas. 2½pc		8.77	-	28½	-⅛	37⅝	27⅞

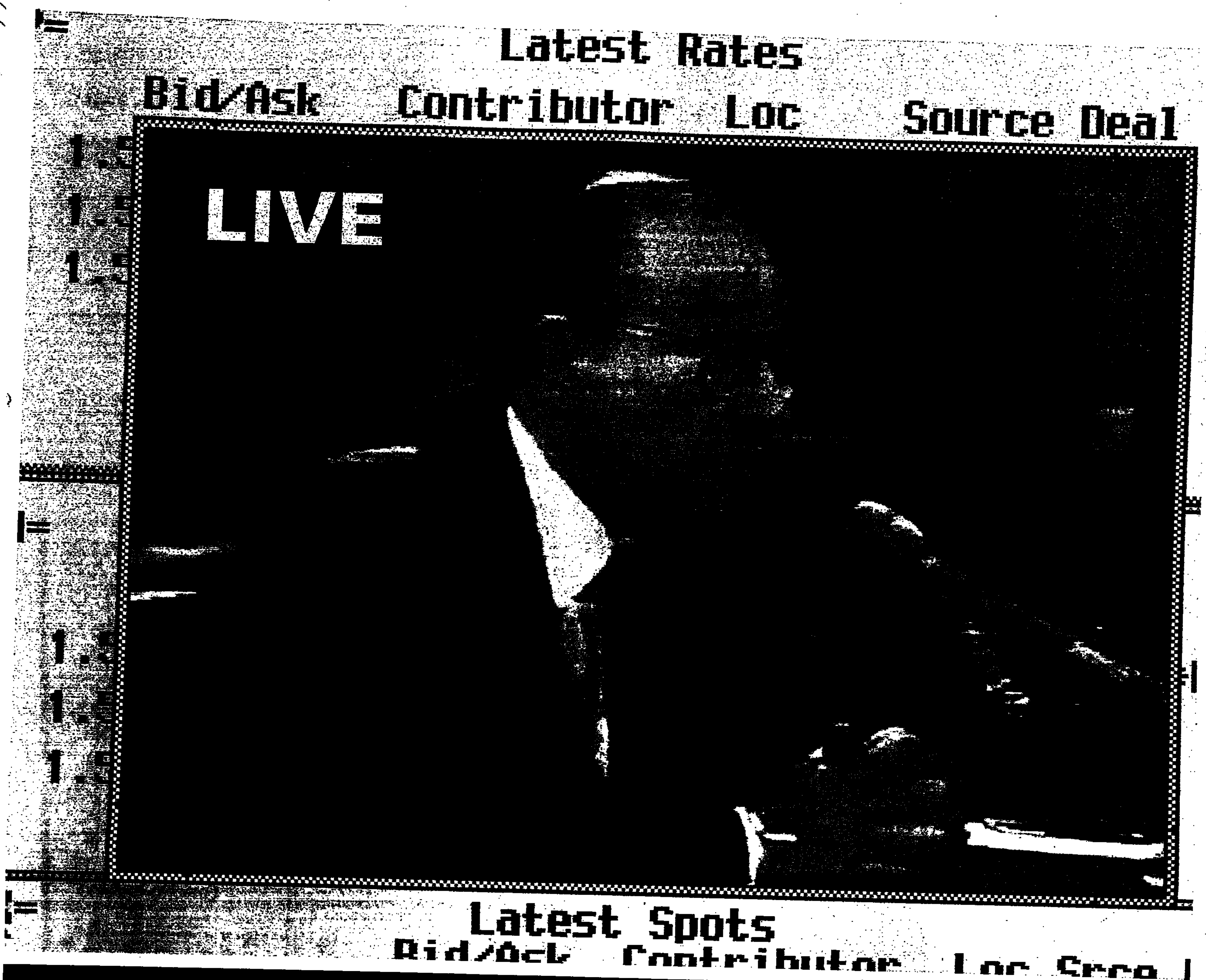
Index-Linked (b)	Notes	Yield (1)	Yield (2)	Price £	+ or -	1994 High	1994 Low
2pc '96	(67.9)	2.99	4.27	199⅛	+⅛	203⅝	197⅞
4⅝pc '98‡‡	(135.6)	2.93	3.70	107⅛xd	—	113⅛	106⅛
2½pc '01	(78.3)	3.44	3.84	166⅛	-⅛	176⅝	163½
2½pc '03	(78.8)	3.54	3.87	161¼	-⅛	173⅞	159⅛
4⅛pc '04‡‡	(135.6)	3.55	3.88	108⅞xd	-⅛	118⅞	107⅞
2pc '06	(69.5)	3.63	3.86	167⅞	-⅛	184⅞	165⅞
2½pc '09	(78.8)	3.67	3.89	151⅞	-⅛	168⅛	149⅞
2½pc '11	(74.6)	3.69	3.88	156⅞	-⅛	175⅛	154⅛
2½pc '13	(89.2)	3.71	3.88	129⅛	-⅛	148⅞	126⅞
2½pc '16	(81.6)	3.76	3.91	137⅛	-⅛	157⅛	134⅞
2½pc '20	(83.0)	3.78	3.92	131⅞xd	-⅛	152⅞	128½
2½pc '24‡‡	(97.7)	3.77	3.89	108⅛	-⅛	129⅛	106⅞
4⅛pc '30‡‡	(135.1)	3.81	3.94	108⅛	-⅛	128⅞	105⅞

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for January 1994: 141.3 and for August 1994: 144.7.

Other Fixed Interest

	Notes	Yield Int	Yield Red	Price £	+ or -	1994 High	1994 Low
Asian Dev 10¼pc 2009		9.32	9.00	109⅞	+⅞	138⅛	107⅛
B'ham 11½pc 2012		9.81	9.83	116	—	142	116
Ireland Cap 8½pc '10		8.85	-	96	+½	116½	93½
9pc Cap 1996		9.00	-	100	—	103½	99⅛
13pc '97-2		11.98	-	108½	+½	115⅛	108
Hydro Quebec 15pc 2011		10.66	9.93	140⅞	+⅞	169⅞	137⅞
Leeds 13½pc 2006		10.71	-	126	—	149⅛	125
Liverpool 3½pc Irred		9.59	-	36½	—	44⅛	33⅛
LCC 3pc '20 Aft		9.38	-	32	—	40½	28⅛
Manchester 11½pc 2007		10.18	9.73	113	—	136⅛	112
Met. Wtr. 3pc 'B'		4.49	8.40	66⅛	—	78	66½
N'wide Anglia 3⅞pc 2021		-	4.61	130¼	—	150⅛	129⅛
4⅛pc IL 2024		-	4.58	124⅞	—	145¼	123⅞
Utd Mer States 15½pc 2008		12.08	-	136½	—	159½	134⅞

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.



Fed Chairman Alan Greenspan boosted dollar by announcing currency's fall was bad for U.S. economy.

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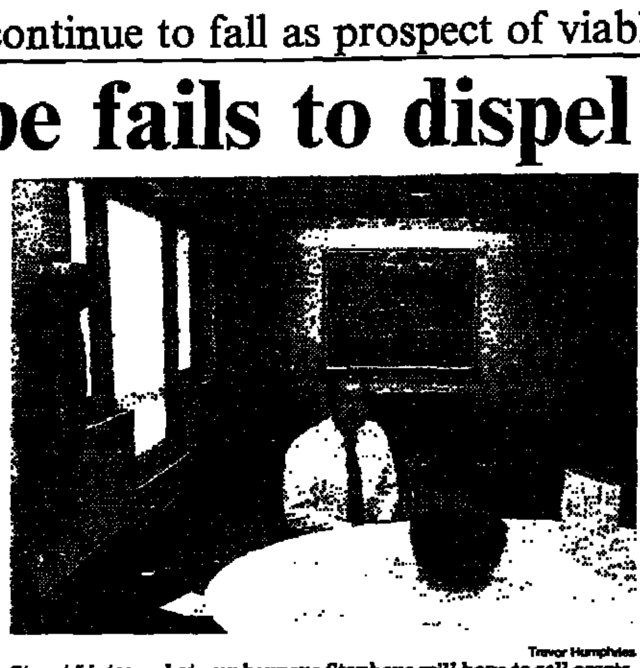
COMPANY NEWS: UK

Group's shares continue to fall as prospect of viable rescue wanes

Stanhope fails to dispel gloom

By Simon Davies



Trevor Humphries

Stuart Lipton: whatever happens Stanhope will have to sell assets

Stanhope's share price fell 26 per cent yesterday, after the heavily indebted property developer revealed that potential rescuers were unlikely to match last Friday's depressed share price.

The share price has almost halved in the past two weeks, and closed 5p lower yesterday at 14p.

The price has been hit by share sales from a former director, but also by growing evidence that refinancing discussions have not progressed, and *that* Stanhope's time is running out.

The group has £130m of bank debt, and insufficient revenues to fund it.

It needs to sell assets – primarily its 50 per cent stake in Broadgate Properties, the City of London property company – or secure refinancing, before a hands-off agreement with its banks expires on December 19.

Mr Stuart Lipton, chief executive and owner of 29 per cent of Stanhope, said yesterday that whatever happened, the company would be forced to sell assets.

The company has had a number of approaches, and Mr Lipton said there remained three bidders, but he said negotiations were at both a "preliminary and conditional stage".

It is understood that *Goldman Sachs* and Morgan Stanley, which both run substantial property funds, are now waiting on the sidelines after expressing initial interest.

Stanhope's banks, led by Barclays, are currently reviewing a new set of financing proposals presented by the company, but have given no response.

Mr Lipton said it was too early to say "whether a recapitalisation would be *more or* less beneficial for shareholders than the terms that might be available from a possible offer".

The company's difficulties will play into the hands of British Land, which has secured a ringside seat at the auction by buying 30 per cent of Stanhope's shares.

British Land would not comment on the state of negotiations, *but* said: "*If* there is someone who is interested out there, they would be wise to come and talk to us, both because of our known interest in Broadgate and our major shareholding in Stanhope."

The initial share purchase by British Land resulted in the collapse of negotiations that had been taking place earlier this year with a south-east Asian investor which wanted *to take a majority stake* in the company.

One property banker said: "Stanhope *has* been sitting there waiting for a fairy godmother to come out of the wings and rescue it. It is finally sinking in that this is very unlikely to materialise."

Analysts suggest that Broadgate would fetch less than £1bn, *almost certainly leaving* Stanhope with a negative net value.

The alternative of bank refinancing would result in high costs, and the falling share price would make it difficult to pursue a debt-for-equity swap.

Argent to redevelop landmark office site

By Christopher Price

Argent Group yesterday announced plans to redevelop a 120,000 sq ft office site in the City of London in a £17.4m deal.

Midland Bank, which owns the freehold to the site and rents the building – *Suffolk* House in EC4 – at £1.25m a year from Argent, is to pay the sum to free itself from the 40-year lease.

Argent said the price represented a 35 per cent increase on the amount it paid for the lease *18 months ago*.

Argent has also acquired, for a nominal £1, an option to buy the freehold on the site from Midland, which no longer occupies the building. Mr Michael Freeman, Argent's joint chief executive, said the *company* would "almost definitely" be proceeding with the purchase and development if planning permission were granted within the next few weeks.

"There is only one other building of Grade A office space over 100,000 sq ft left in the City. The race is on to provide this kind of accommodation. *I doubt if any building* of this grade will come in at a rent of below £40 per sq ft in 1997." Mr Freeman said that even at only £37.50 per sq ft and a 6.5 per cent yield, the development would be worth more than £70m.

Argent is to repay loans of £10.4m secured on the Suffolk House lease. The net cash addition from yesterday's deal will come to £7m.

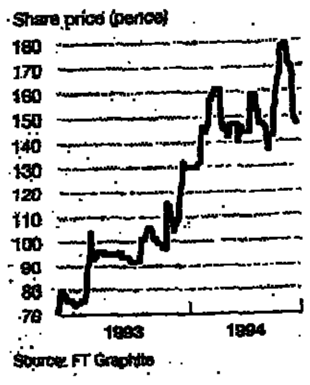
Analysts agree that rent rises have started to stick for high-quality central London *office space*, but *disagree* over how quickly sustained growth will come through.

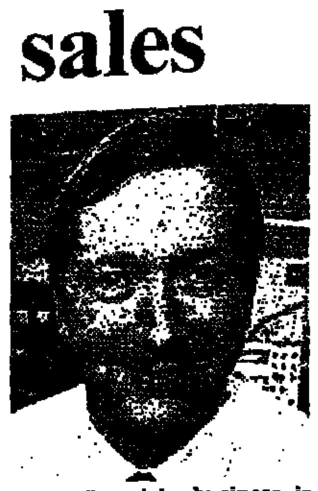
Recent evidence from the Investment Property Databank suggests that an excess of available space continues to hang over the property market and is likely to limit rental rises if not depress them, at least in the short-term. On the other hand, surveyors Richard Ellis and Jones Lang Wootton *are forecasting rental growth* coming through more strongly next year.

Manganese Bronze hails rise in black cab sales

By Richard Wolffe

Manganese Bronze





Jamie Borwick: business is picking up for taxi drivers

Manganese Bronze Holdings, the black taxi cab manufacturer, yesterday reported a *36* per cent rise in pre-tax profits from £1.5m to £2.04m for the year to July 31.

Turnover remained flat at £74.6m (£75.4m) after an improved performance by the group's vehicles division was offset by a *slide at the* components side, which supplies bearings and precision castings.

The company announced it was increasing taxi production to 44 per week, compared with a record low of 32 per week in June *last* year.

Orders for the black cabs, which retail at about £20,000, are expected to reach 1,900 by the end of the year, compared with 1,600 last year.

"Business is picking up for taxi drivers, although I am not *sure that many* of them would admit to that," said Mr Jamie Borwick, chief executive. "Quite a *few* are bringing back orders they had deferred during the recession."

The vehicles division trebled pre-tax profits to £3.23m on turnover of £43.4m.

But the components division suffered a 70 per cent drop in pre-tax profits to £551,000 after a "disappointing" loss at the Redditch-based precision castings business.

Last month the company disposed of LTI Homer, its loss-making fuel tanks offshoot, with an associated loss of £1.44m. However, it retains the *Fairway Nissan car dealership* which continued to incur losses.

The Deans Powered Doors division, which supplies rail and bus manufacturers, incurred a £315,000 loss (£2,000 profit). The company cut its rail door manufacture, involving *exceptional costs of* £300,000.

Net interest charges fell from £320,000 to £52,000, and gearing was reduced from 20 to 5 per cent.

A recommended final dividend of 2.5p makes a total of 4p (2.5p) for the year, payable from earnings per share ahead to 7.58p (5.89p).

The shares *dropped* 2p *to* 147p.

Norweb leads recs with move to listing in US

By David Lascelles, Resources Editor

Norweb today becomes the first UK regional electricity company to have its shares listed in the US.

The Manchester-based utility has obtained a listing for American Depositary *Receipts* on Nasdaq, the over-the-counter market.

The company said it had the largest proportion of shares in *US hands of any rec* – about 5 per cent – and the move would provide greater liquidity for American shareholders. The initial marketmakers will be Smith New Court and Lehman Brothers.

The listing also reflects Norweb's *strategy of raising* its profile in the US, where earlier this year it took a 50 per cent stake in a gas-fired power project *in Virginia*. The company has an active policy of overseas expansion, particularly in countries with a well developed regulatory framework and a stable and mature political, economic and legal environment.

Norweb is also among those recs which have defined a specific dividend policy. It aims to deliver annual real increases of 6 to 8 per cent up to 2000.

Analysts thought it unlikely that there would be a rush of other recs seeking a US listing. The cash-rich electricity distributors have no need to tap foreign capital markets. Indeed, many of them – including Norweb – are in the *process of buying* back up to 10 per cent of their shares. Few have business interests or large numbers *of shareholders in the* US market.

However, Norweb's move could pave the way for a listing by the National Grid company, which is owned by the recs and likely to be sold off next year.

Regent Corp buy

Regent Corporation is to acquire Rayford Holdings, which has interests in sites valued at £5.06m. The consideration part comprises £814,000 in new shares; Regent has also agreed that, on completion, Rayford will pay £3m cash to Mr Ray Horney, one of the Rayford *shareholders, as* part repayment of a £5.6m loan made by him to Rayford.

DK to put 20th Century on CD-Rom

By Andrew Bolger

Dorling Kindersley Holdings, the publisher of illustrated reference books and multimedia products, is to create CD-Rom versions of the best-selling Chronicle publications from Bertelsmann, the German-based media group.

The UK group has acquired rights to publish the Chronicle titles as books in the UK and US and in CD-Rom form worldwide.

Mr Peter Gill, DK's finance director, said the first title to appear in multimedia form would be the *Chronicle* of the 20th Century, a factual encyclopaedia which is updated annually.

DK recently launched five of *its own CD-Rom titles in the* US, Canadian, UK and Australian markets.

Development Securities acquires two City sites

By Peter Pearse

Development Securities is to *undertake its first development* in the City since it grew out of Clayform Properties under the hand of Mr Martin Landau, the property entrepreneur.

It has exchanged a conditional contract for the purchase of Milton House and Shire House in Silk Street, EC2, which currently comprise 450,000 sq ft of offices. The deal is forward-funded by Haus Invest, the open-ended Commerzbank property fund, and the properties are to be acquired for more than £40m.

The vendor *is* a consortium of five Japanese banks, led by the Long Term Credit Bank of Japan, which is the receiver to EIE, the Japanese developer *which went bankrupt*. EIE paid about £300m for the properties.

Mr Erik Raume, senior development surveyor at DS, said all of Shire House and a "substantial" part of Milton House had been *pre-let* to Linklater & Paines, the international law firm, for its new City head office. After refurbishment and with the benefit of pre-letting, the properties are expected to be worth about £170m, DS claims.

Beales disposal

Beales Hunter has sold the business and certain assets of *the Cut & Sew division of its* Marathon Knitwear subsidiary to Stirling Group for £2.33m.

The division manufactures men's underwear and leisure wear. The assets disposed of include freehold land and factories, plant and machinery, raw materials and work in progress with a total book value of £3.07m.

Proceeds will be used to reduce group borrowings.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Clinton Cards ......int	1.6	Nov 15	1.6	-	4.71
Elys (Wimbledon) ......int	2	Dec 5	1.5	-	17
G'more Brit Inc ......int	1.82♦	Nov 30	-	-	-
Goldsmiths ......int	0.8	Dec 12	-	-	1
Hamleys ......int	2	Dec 5	-	-	-
Jones ......int	4♣	Oct 28	4	-	12.5
Lucas Inds ......fin	4.9	Jan 18	4.9	7	7
Manganese Bronze....fin	2.5	Dec 1	1	4	2.5
Scottish TV ......int	2.2641	Nov 30	2.1563	-	12.41
Tay Homes ......fin	5.1†	Nov 26	4.65	6.45	5.85

Dividends shown pence per share net except where otherwise stated. †On increased capital. ♣Irish currency ♦Second interim making 3.64p to date.

COMPANY NEWS: UK

Eastern Group sheds 450 jobs in restructure

By Peggy Hollinger

Eastern Group, the biggest of the 12 regional electricity companies in England and Wales, is cutting 450 jobs and investing £500m in its distribution network as part of a wide-ranging reorganisation revealed yesterday.

The announcement brings to more than 4,000 the number of planned job cuts in the sector since the electricity regulator called for a reduction in distribution prices in an industry review in August.

The job cuts and reorganisation are expected to bring annual savings of about £25m by 1996-97.

Mr John Devaney, Eastern's chief executive, said this latest round of cost cutting would be the company's "last major announcement for a little while". Since privatisation, Eastern has shed about 30 per cent of its electricity workforce, which will total about 4,800 after the latest cuts. These will be spread over two years and are expected to occur through early retirement and voluntary redundancy.

The cuts will be accompanied by a 30 per cent jump in capital spending over five years. Instead of maintaining the existing network, Eastern intends to invest £500m between 1995 and 2000 in technologically advanced equipment. "We will have a company which is more capital intensive," said Mr Devaney, "but it will cost less to run."

Some 650 jobs will be transferred from the day to day operations of the core electricity business to implement the increased capital spending programme. Eastern is also reorganising the engineering operation of its electricity division, which will be operated through business units instead of regionally.

All the associated costs have been provided for in last year's £38m charge.

The market welcomed Eastern's announcement with some reservations. The cost cutting would improve profits but higher capital spending would soak up any cash flow gains. Furthermore, many had expected Eastern to announce further share buy-backs before its closed period begins on Wednesday. "The market was looking for more excitement," said one analyst. "Yesterday's announcement was not a huge surprise to anyone."

The shares closed 1p down at 760p.

Bourne End £5.4m buy

Bourne End Properties has conditionally agreed to pay Allied Dunbar Assurance £5.35m for Sword House, a refurbished 1970s long leasehold office building of 46,000 sq ft in High Wycombe, Bucks.

The property is currently let for the 105 year remainder of the term to Wilkinson Sword at a gross current annual rent of £398,000, with upward only rent reviews every seven years.

The consideration is payable in cash from Bourne End's existing resources and a new 15 year fixed rate loan.

Goldsmiths loss reduced

A 13 per cent increase in turnover from £18.8m to £21.2m helped Goldsmiths Group, the retail jeweller with 116 branches in the UK, cut pre-tax losses from £1.34m to £317,000 for the six months to July 30.

Sales were up 10.9 per cent in the nine weeks since the start of the second half.

Losses per share were reduced to 2.49p, compared with 4.09p and interim dividend payments have been resumed with a 0.8p distribution.

Housing recovery underpins Tay Homes

By Christopher Price

Shares of Tay Homes yesterday rose 12p to 163p as the Leeds-based housebuilder announced pre-tax profits more than doubled from £3.09m to £6.23m for the year to June 30.

The recovery in the new housing market underpinned the rise, which was also helped by the return to profit of the group's Scottish region.

Turnover advanced 22 per cent to £85.1m (£69.6m). The group sold 1,308 houses, an increase of 18 per cent on last year's 1,107, at an average price of £64,700, compared with £61,000.

However, the land bank declined from 4,200 to 4,000 plots.

Mr Trevor Spencer, chairman, blamed the rise in land prices, which have reached levels not seen since the boom of the late 1980s.

"We have been forced to become more selective in our land purchases," Mr Spencer said.

Land prices rose by an average £1,800 to £11,300 a plot during the year, the rise eating into the group's cash pile despite the boost from last year's £10.2m rights issue. As a result, gearing rose from 36 to 45 per cent.

Cost pressures had been felt from building materials suppliers but had been largely contained at about the 4 per cent level.

Earnings per share increased from 9.1p to 15.5p and a proposed final dividend of 5.1p lifts the total to 6.45p (5.85p).

Mr Spencer said that the group was now well positioned to take advantage of the recovery in the market. However, although sales reservations were 25 per cent ahead of the position seen this time last year, they had dropped off since the latest rise in interest rates.

"Things have definitely slowed down, but we are hopeful that the level of customer interest that has been shown will still convert into steady sales," he said.

Hamleys achieves strong growth to £0.68m midway

By Peter Pearse

Pre-tax profits at Hamleys, the self-styled "finest toyshop in the world" which floated in May, jumped from £115,000 to £676,000 in the half-year to July 30, on turnover up 16 per cent from £7.67m to £8.91m.

With operating profits up 46 per cent at £858,000 (£588,000), the operating margin grew from 7.7 to 9.6 per cent. Mr Howard Dyer, chairman, ascribed this growth to increased sales, greater productivity per employee, and "that small business mentality where you watch every penny".

He hoped the profits rise was "an outperformance" of City expectations, though the shares were unchanged at 168p. The flotation price was 185p.

Mr Dyer said the store in London's Regent Street, which accounts for 75 per cent of group sales, was seeing the results of the refurbishment

Howard Dyer: still watching every penny

completed in June 1993. Sales in the store increased by 14 per cent.

The satellite operations – shops in Covent Garden and Heathrow's Terminal 4 – performed well. Mr Dyer said that, aided by the duty free impact, the company had been able to sell more expensive items in the airport. He suggested that Hamleys would look to European airports and Far and Middle Eastern franchises for expansion in the next two to four years. Also, once passengers could use the Channel Tunnel, the shop at the entrance would open.

Between April and June a further seven House of Toys concessions opened within House of Fraser stores: another 16 will open for the six-week run-up to Christmas. Mr Dyer said that 95 per cent of HoF toy sales came in the second half, against 60 per cent for the Regent Street store, which relied far more heavily on tourists.

Extra House of Toys stock totalled £500,000, though currently Hamleys had "small cash reserves". With the float proceeds, long-term debt was wiped out and the interest charge fell to £182,000 (£473,000).

Earnings per share were 2.7p, against 0.5p, or 1.5p pro forma. The maiden interim dividend is 2p.

NEWS DIGEST

Sales rise helps Elys to £107,000

A modest improvement in sales and maintained cost control helped Elys (Wimbledon) lift profits before tax to £107,000 for the six months to July 30, against £74,000 last time.

Turnover at the department store group amounted to £4.54m (£4.35m) reflecting growth in linens, soft furnishings and electricals.

Earnings per share improved from 4.1p to 6p and the interim dividend is raised to 2p (1.5p).

Jones at I£1.7m

Jones Group, the Dublin-based shipping, manufacturing and oil distribution company, continued its recovery in the 1994 first half with pre-tax profits of I£1.72m (£1.7m).

The outcome compared with a profit of I£1.18m last time and was struck on turnover up from I£31.7m to I£43.6m.

The figure was bolstered by I£7.47m from acquisitions.

Earnings came out at 11.7p (7.8p) per share. The interim is maintained at 4p.

Mr Denis Magee, chairman, said shipping growth had slowed but there continued to be growth in the remainder of the group's markets.

Hardy Craske, purchased in February, had undergone considerable rationalisation. Benefits were expected to come through in 1995, he said.

Talks with Koninklijke Pakhoed of the Netherlands, concerning the purchase of Theodora Tankers, were continuing.

Gartmore British

Gartmore British Income and Growth Trust has declared a second interim dividend of 1.82p per geared income share in respect of the accounting period ending December 31.

The investment trust, which came to the market in March, paid a first interim dividend of 1.82p in August.

Blagden disposal

As part of the ongoing reorganisation of its industrial packaging business, Blagden, the steel drum maker, has sold its shares in Aug. Schmalenbach, a German manufacturer, to Sulo Eisenwerk Streuber & Lohmann. Blagden sold its main plastics packaging operations for £6.9m in July.

£7m orders for IMI

IMI Yorkshire Alloys, the Leeds-based subsidiary of IMI, has secured four orders totalling more than £7m in Abu Dhabi, Australia, South Korea and Japan.

The contracts involve the supply of piping for such projects as desalination plants and power stations.

Tunstall damages

Tunstall Group, which supplies emergency communications systems for the elderly, has been awarded damages of £527,000 against Anchor Line over its acquisition of Tann-Synchronome in 1988.

The case alleged faults in Tann-Synchronome's fire security products. Tunstall's legal costs, which by the end of March amounted to £454,000, had been written off as incurred.

COMPANY NEWS: UK

Clinton buys in time to boost Christmas sales

By Richard Wolffe

Clinton Cards added 86 shops to its chain of 277 greeting card and gift stores in a £3.5m purchase announced yesterday alongside its interim results.

The group, which is controlled by the Lewin family, claims that the acquisition from its principal card supplier, Hallmark, the UK arm of the US group, lifts its share of the UK greetings card market from 7.5 per cent to 9 per cent.

The acquisition will lead to the closure of more than 12 stores where Hallmark shops compete with Clinton Cards in England and Wales. "It basically takes a competitor out of the high street," said Mr Clinton Lewin, managing director.

Pre-tax losses deepened from £956,000 to £2.19m while turnover edged up from £32.1m to £32.7m in the six months to July 30. An interim deficit is normal because the chain makes a large proportion of its profits in the Christmas period.

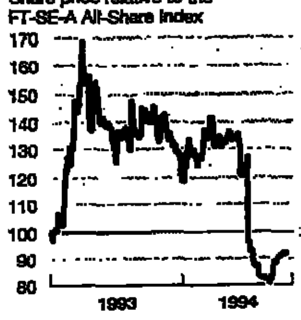
The group blamed weak consumer confidence for a 4 per cent drop in like-for-like sales and a "disappointing" operating loss of £1.98m (£770,000). In June the shares fell 31p to 105p after the company warned that profits were unlikely to exceed last year's £3m.

Hallmark's 86 shops incurred a loss of £345,000 last year on turnover of £21.1m. The purchase, which includes £2.7m of stock, will be completed before Christmas trading begins.

A cash consideration will be paid over four and a quarter years without interest, with annual repayments linked to Clinton's purchase of Hallmark goods. Gearing stood at about 60 per cent at the period end.

Clinton Cards

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

Losses per share emerged at 8.4p (3.66p) and the interim dividend is unchanged at 1.6p.

● COMMENT

Clinton Cards' acquisition of the Hallmark shops seems to make sense for the card retailer. The stores should need little work to fixtures and fittings, and will be trading for Clinton over the busy Christmas period. Moreover, Clinton's repayments are attractively linked to its demand for Hallmark goods over the next four years. The interim results are worse than last year, but are not as gloomy as expected after this summer's profits warning. The group is thought to have improved cost control and should be in a good position to benefit when consumer confidence returns. Analysts forecast pre-tax profits of about £2m for the year, which gives a prospective multiple of 13.7 on yesterday's close of 103p, up 2p. For those confident of an upturn in consumer spending, the shares have scope for further recovery.

No Adviser the magician's rival

Nicholas Denton looks at the role played by in-house financial teams

Ask mergers and acquisitions professionals to name their firm's toughest rival and they reply as if in one voice: "My biggest competitor is No Adviser."

They mean the in-house team at a potential corporate client which handles deals without calling on, and paying, a financial adviser.

If "no adviser" was included in the M&A league tables, it would soar above the likes of Morgan Stanley, Goldman Sachs and SG Warburg which usually vie for the top positions.

Imperial Chemical Industries has perhaps the most active in-house acquisition team. The "A-team" has handled 600 transactions over the last 10 years.

"We've done more deals than Warburg, Schroders and Goldman Sachs," says Mr John Dewhurst, group manager of planning and acquisitions. "We've done more deals than all of them put together."

Mr Dewhurst is convinced of the virtues of the ICI approach. "We believe we can do everything a merchant bank can do. If you know what you are doing, you can save a lot of money and probably get a better deal."

Some investment bankers concede that in-house teams have advantages. "They will know exactly what the company wants," says a UK corporate finance head. "It's a real headache."

Developing an internal department for corporate development may not be cost-effective for smaller companies; but those the size of ICI, Rhône-Poulenc, Unilever and British Petroleum have found it makes business sense.

Last Christmas, when Mr Dewhurst was discussing his annual bonus, he calculated how much ICI would have had to pay had it used external advisers: £12.5m. ICI pays ICI salaries to the A-team. Mr Dewhurst says the overall cost is vastly less: "Take off a couple of zeros."

Investment bankers respond that a company gets what it pays for.

An in-house team does not have the broad perspective of an investment bank. It is often unfamiliar with sectors outside its core competence. Most companies have to turn outside to arrange financing.

Nor can a company handle a flotation or a takeover alone. Lasmo paid £16m in fees to Schroders, Goldman Sachs and NatWest Markets to fend off the £1.6bn hostile takeover bid by Enterprise Oil.

One investment banker, scoffing at ICI's claims not to use advisers, jokes that the group paid a decade's worth of fees on the demerger of Zeneca.

A straightforward "vanilla" deal with other companies in a sector is another matter. "We've lived with other chemical companies, we've grown up with them, we measure them," says Mr Dewhurst. "Our database is better than an investment bank's." A sizeable multinational also has the resources to finance an individual acquisition internally.

That said, few multinationals have followed the ICI approach. More have opted for a halfway house: an in-house corporate development department which farms out work it cannot efficiently do alone.

One manifestation is that fees for complex work have held firmer than those for plain "vanilla" transactions. "Clients are happy to pay fees when they can see that a banker has added real value," says Mr Jim Downing, of Lehman Brothers.

Strategic rather than financial logic is now the driving force for mergers and acquisitions; and core competence not diversification is the catchword.

The head of ICI's A-team tells investment bankers the same thing: "If you bring something to me and you bring added value then we will pay you for it." But Mr Dewhurst adds: "In the last 10 years, with one exception, we haven't paid any merchant bank."

One, after its suggestions had been rejected one time too many, asked: "Are we wasting our time?"

Sanguine bankers maintain there is nothing startling about corporate clients maintaining A-teams. "I don't think it's a new rash," says Mr David Verey, chairman of Lazard Brothers, the UK merchant bank.

Nevertheless the character of the 1990s' wave of M&A has had an impact. Strategic rather than financial logic is the driving force and core competence rather than diversification the catchword.

That does lead companies to dispose of peripheral businesses and usually to make use of an investment bank's wide range of contacts to do so. But when such companies look for targets and alliances they increasingly concentrate on their own sector. The more intimately they know the industry, the less they need financial advisers.

Corporate clients are also catching up with the investment banking techniques that once dazzled them.

"People used to say these guys are magicians," says an M&A specialist at a US investment bank. "Today you can walk in and find that a company knows more about the market than you do. The more sophisticated the client base has become, the more sophisticated we have had to become."

Most importantly, multinationals have broadened their horizons and are increasingly comfortable with cross-border deals, at least those within their sector and the developed world.

"It would be mad to compete with that," says Mr Will Samuel, head of corporate finance at J Henry Schroder Wagg, the UK merchant bank. "We should move to where we can add value."

Investment banks are fleeing forward. Mr Samuel says: "Investment banking is about competing in areas which are changing rapidly, be they products, countries or industries. BAT Industries provides an illustration. BAT handles most of its acquisitions internally but made an exception for its east European acquisitions, on which it hired Schroders as adviser.

In the US and UK, in-house acquisition teams may represent a challenge; but on the Continent investment banks can win clients among companies which have never used financial advisers.

"My biggest competitor may be No Adviser," says an executive at a US investment bank in London. "But it is going after that market that is most interesting."

Fitch loss halved to £0.15m

Fitch, the architectural and graphic design services group, saw pre-tax losses fall from £381,000 to £151,000 for the six months to June 30. Turnover slipped from £6.28m to £6.15m.

Operating profit from continuing operations was £49,000 (£149,000 loss), struck after a £233,000 exceptional charge relating to the financial restructuring of the UK business, where trading losses have reduced slightly.

Losses per share fell from 2p to 1.1p.

Hearts asks fans for £1.5m to bolster team

By Gary Evans

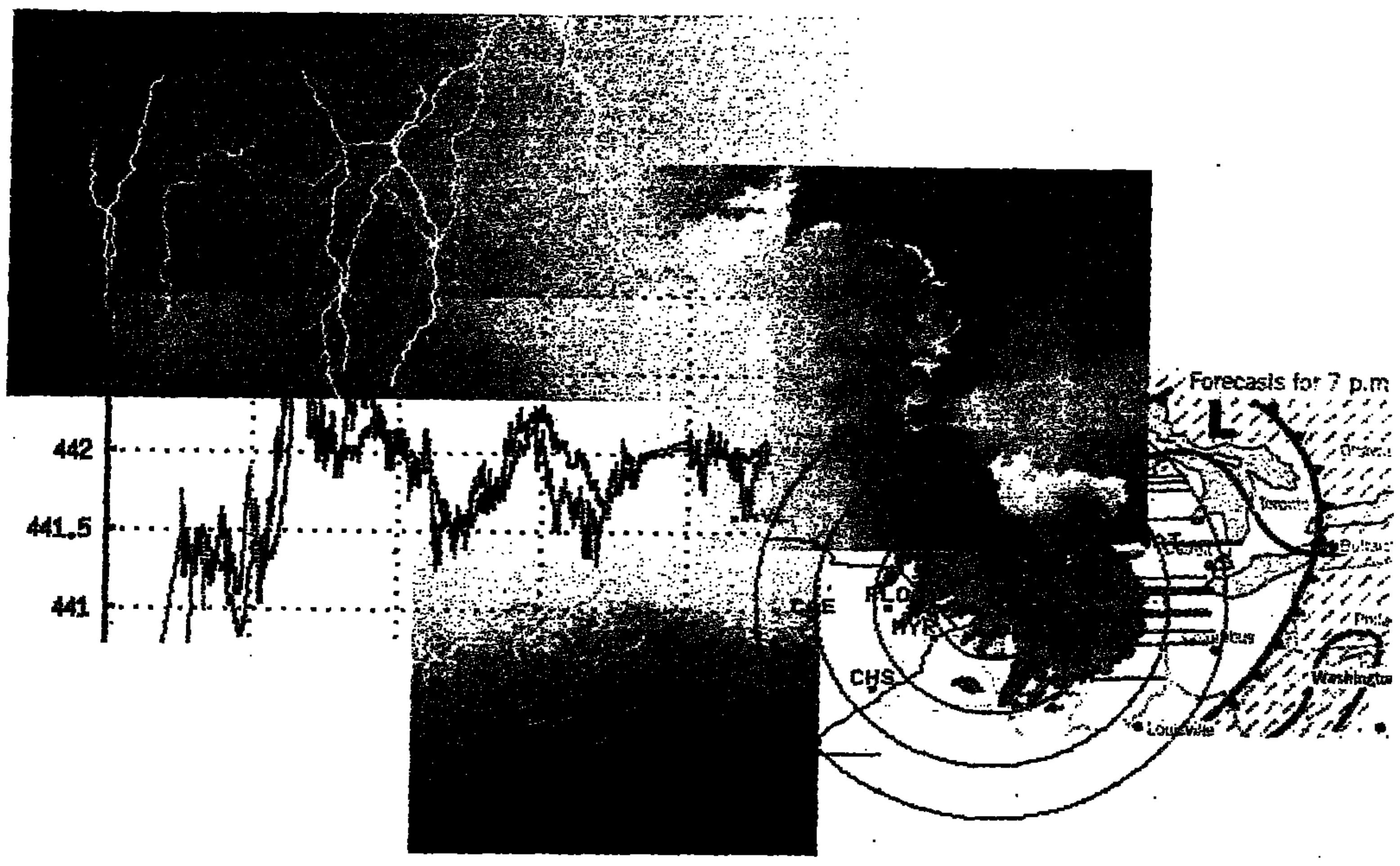
Heart of Midlothian is asking its supporters for funds to strengthen the playing squad in an attempt to re-establish the Edinburgh football club as one of the Scottish Premier League's leading lights.

Hearts is launching an issue of Club shares, which carry a range of benefits but no voting rights, and aims to raise up to £1.5m after expenses – estimated at £350,000 – for fresh players. Any further proceeds will be used for general on-going development of the core business.

Mr Chris Robinson, chairman, said that as well as team strengthening "we believe that the expansion of the commercial activities are key to the future success of the club".

Club shares are available in blocks of 200 at £250 per block – 125p per share – until November 15. New shareholders will have the right to appoint two new directors to the board.

To weather market change, you need to know the risks.



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COMMODITIES AND AGRICULTURE

Metal traders warned of speculative sell-off

By Kenneth Gooding, Mining Correspondent

A warning was given yesterday that non-trade investors, such as investment funds and banks, might drive London Metal Exchange prices lower than many market watchers would expect as the world economy turned down.

Mr Alan Heap of County NatWest Securities Australia, said that, by their involvement in the LME, funds and banks had increased metals prices and the volumes traded and sometimes caused prices to anticipate improvements in the fundamental supply-demand balances. But all the evidence showed they had not increased volatility or instability.

The impact on prices of their withdrawal would depend on the supply-demand balance and market liquidity but in the early stages it was likely that fundamental strength would be enough to absorb their selling. "Later in the cycle short-selling by non-trade players may push prices lower than many market watchers would expect," said Mr Heap at an LME seminar at the start of London Metals Week.

London Metals Week

He said that banks held metal in LME warehouses as collateral against loans and also as a revenue-earning investment. This metal was therefore not available for immediate delivery. He estimated that nearly half of LME metal stocks were tied up as collateral. As for that held under revenue-earning arrangements, the recent rises in prices had changed the economics and deals would be progressively unwound in coming months. However, he dismissed suggestions that this would take place swiftly and consequently depress prices. "A progressive release of metal [from LME warehouses] in response to high prices seems more likely."

Mr Heap's generally bullish tone was echoed by most other analysts at the seminar. The exception was Mr Stephen Briggs of Metals & Minerals Research Services, who said years of high prices had resulted in a big increase in copper production capacity. He forecast at net 4.5 per cent rise in capacity in 1995 followed by one of 7.5 per cent in 1996. Consumption would not keep up and Mr Briggs suggested that the copper price, at present about US$1.13 a pound, would drop below $1 in the second half of next year.

Aluminium, in contrast, was likely to perform better than any other LME metal during the rest of the decade, according to Mr Nick Moore of Ord Minnett. He suggested demand would grow by at least 4 per cent annually in 1994-1996. Supply would be constrained in 1995 but there would be "a mighty turnround in 1996" with up to 1.2m tonnes of capacity being added in that year. Nevertheless, aluminium prices in 1995 were likely to average 20 per cent more than those seen so far in 1994 and rise to $1,720 a tonne and then climb to an average of $1,875 in 1996.

Nickel's price was also forecast to rise rapidly between 1994 and 1997 on the back of increasing demand for stainless steel, the main user. Mr Heinz Pariser, of Heinz Pariser Alloy Metals & Steel Market Research, predicted nickel prices would average $2.90 a pound in 1994 and rise to $3.20-$3.50 next year. They would then accelerate to $4-$5 in 1996 and to $5-$6 the following year. Nickel stocks would be at "dangerously low levels" in 1997, Mr Pariser warned.

Lead stocks would fall substantially because of strong demand growth, said Mr Angus MacMillan of Billiton-Enthoven Metals. Consequently prices were likely to be $700 a tonne next year against an estimated $550 this year and $430 in 1993. But very high stock levels would constrain zinc prices. Billiton was forecasting an average $1,100 a tonne next year compared with $990 in 1994 and $980 in 1993.

Mr Fidelis Madavo of CRU International, suggested tin stocks should start to fall from this year because of producer cuts and a "modest 2 to 2.5 per cent" annual growth in consumption. The LME cash price was likely to average $2.43 a pound this year and would break through $3.50 "by the end of the 1990s".

Russian smelters seen heading for the scrap heap

By Kenneth Gooding

One third of the former Soviet Union's 3.6m tonnes of aluminium smelting capacity could be expected to disappear in the next five years, driven out of production by high costs and obsolete equipment, according to Mr Horst Peters, managing director of VAW Aluminium-Technologie.

He pointed out during a conference in London yesterday that, if they were to meet present Russian emission standards, Russia's aluminium smelters needed total investment of US$3.5bn. A further $2bn would be required if the country's copper, lead and zinc smelters were to meet pollution targets.

Money for this purpose was at present not available in the former Soviet Union, nor in the western financial markets, Mr Peters insisted.

So those smelters not worth modernising would be phased out.

He suggested that some of the heavily-polluting aluminium smelters could be modernised using a step-by-step approach, which could be financed out of cash flows with some help from international financial institutions or export credits.

Coffee auction plan opposed

Brazil's coffee growers are to urge the government not go ahead with the sale of up to 900,000 bags (60kg each) of stocks to domestic roasters, reports Reuters from Rio de Janeiro.

"The National Coffee Council will recommend that the government does not hold the auctions because international prices have fallen to a level that makes the auctions unnecessary," said Mr Manoel Bertone, the council's president, yesterday. The proposal to sell 300,000 bags a month between October and December was made by roasters and is still under review.

St Lucia looks for alternatives after banana disaster

By Deborah Hargreaves

The West Indies island of St Lucia lost 70,000 tonnes of bananas or 68 per cent of its crop in the recent tropical storm that ravaged the Windward Islands. It will cost £60m and take about two years to repair the damage and get the island's agriculture industry back on its feet again, said Mr John Compton, prime minister, last week.

But he stressed that the country was using the damage wrought by tropical storm Debbie to step up its programme of agricultural diversification.

"We're looking at tree crops such as mangoes and avocado pears to grow in the hills for niche markets in Europe," Mr Compton said.

Bananas have traditionally been a mainstay of St Lucia's economy with most destined for the British market. But Mr Compton believes Caribbean producers must become more competitive and diversify their farm industries.

"We plan to re-organise the whole structure of our banana industry as we realise that competition in Europe will continue to be strong," he said. The country is looking for around £10m in aid from European Union programmes to assist in increasing production and productivity in bananas as well as diversifying.

Mr Compton believes producers in St Lucia can increase productivity by 50 per cent in fertile valleys by using irrigation methods, better drainage, better disease and pest control. He aims to produce the country's quota to the EU market – 127,000 tonnes – on less acreage.

But the storm caused major structural damage, altering the course of rivers, knocking out all but one of the island's water supplies, and silting up some rivers. Mr Compton reckons that 20 per cent of the island's fertile valley land is irrecoverably damaged.

"The storm has set back our efforts considerably, but we want to use this opportunity to go ahead and properly re-organise our farming industry," Mr Compton said.

In the meantime, the Windward Islands, which supply 3 to 4 per cent of EU bananas are looking to buy in bananas from elsewhere to fulfil their quota and hold on to market share. But the commission has yet to approve the request.

● Belize is asking for an increase in its EU quota to reflect the growth in its own banana industry – the country has a quota for 40,000 tonnes, but production will exceed 55,000 tonnes this year.

Tapping a precious resource

Irrigation is taking well over half Israel's water

FARMER'S VIEWPOINT

By David Richardson

Israel is one of the most crowded countries in the world. Even without the possible repatriation of some of it's citizens from the occupied territories, from which it may have to withdraw to complete the peace process, the bulk of its population north of the Negev Desert, is more concentrated than that of either Holland or Belgium.

Together with the hot climate and a shortage of rivers and freshwater lakes this means that water is the country's most precious resource.

Moreover, the population is forecast to increase dramatically over the next 40 to 50 years and the provision of water for both domestic use and industry, particularly agriculture, is already concentrating the minds of the Israeli government and its advisers.

A study published for the World Bank a few weeks ago by Dr Avishay Braverman, president of the Ben-Gurion University of the Negev in Beer Sheeba, with others, spelled out the scale of the potential problem.

"Israel's population," says the report, "is expected to increase from 4.9m in 1990 to 7.7m in 2010 and 12.1m in 2040." This will be as a result of continuing immigration of Jews from other parts of the world and from the children born to those already in the country.

In addition, the report continues "the Arab population in the West Bank and the Gaza Strip is expected to increase from 1.6m in 1990 to 3.2m in 2010 and 6.3m in 2040". For the purposes of the study the authors' considered the water needs of the entire area together. Furthermore they assumed and advocated that consumption of water, at present much lower in Arab areas, would, over the period, rise to around the same level per capita as that used by Israelis.

In short, plans must be made to supply water to between 18m and 19m people who will be living in an area where existing water resources are already stretched by the current population of only 6.5m. The implications for

Indeed agriculture was at first seen as the main problem that would hasten the water crisis. Politicians, who once treated farmers as the most important people in Israeli society as they established idealistic co-operatives to produce food, began to question whether they could still afford them.

As one insider told me "once agriculture was a sacred cow; all at once it was just a cow".

The value of the agricultural industry's extensive exports, of horticultural products in particular, to premium western markets began to be questioned when the real costs, including those for subsidised water, were calculated.

The era of free trade around the world had arrived and perhaps it would be better business to import some more food rather than keep up the flow of exports – especially if this would release water supplies for urban development. That opinion is still expressed by some of the influential elite close to the government.

But Dr Braverman and his group do not see it that way at all. "Agriculture should not be seen as part of the problem but as part of the solution," he told me last week. And he went on to explain how sewage from the ever expanding urban population would itself soon create a major problem if it were not dealt with adequately.

His proposed solution was to part-treat sewage to the point where the liquor could be applied to crops as irrigation, thereby saving limited sweet water for drinking. The material could be pumped all around the country, as is sweet water from the Sea of Galilee already, and farmers could use it on their crops.

I was taken to see a pilot plant and a farm using waste water and it certainly seemed to work. Farmers using the treated sewage water were experiencing no particular problems provided they did not apply it to sensitive crops that could not tolerate it. The concept already seems to be generally acceptable to Israeli agriculturalists.

As the waste water filters through the soil it is purified before it reaches underground aquifers. Indeed if such measures were not taken, Dr Braverman forecasts, untreated sewage, which is at present stored in lagoons, would soon percolate the soil beneath them and pollute existing drinking water reserves.

Dr Braverman admitted however, that on its own this would still not solve the entire problem. Sewage waste water would, according to his calculations, supply less than half the irrigation requirement in 2040. In addition to satisfy the urban demand and the balance needed for agriculture, it would be necessary to desalinate sea water from the Mediterranean.

He was confident that this could already be done at a running cost of US$1.10 a cubic metre of water and that as technology improved the figure could be cut to no more than 70 cents a cu m, which he considered entirely acceptable.

There remained of course, the matter of the capital cost. To deal with the sewage it was estimated that an investment of $3bn would be required; and to desalinate sufficient drinking water a further $3.3bn. It was clearly hoped the World Bank would provide at least part of the money.

But Dr Braverman pointed out that defence spending in recent years had been $250bn. "Therefore the proposal is viable and affordable – especially now we are on the brink of peace with our neighbours."

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1616.5-7.5	1634-5
Previous	1634-5	1651-1.5
High/low	1630	1648/1633
AM Official	1630-1	1645.5-6.0
Kerb close		1634-6
Open int.	252,229	
Total daily turnover	43,206	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1655-60	1675-80
Previous	1677-82	1692-5
High/low		1680
AM Official	1660-5	1680-5
Kerb close		1675-80
Open int.	3,038	
Total daily turnover	381	

■ LEAD ($ per tonne)

Close	631-1.5	643.5-4.0
Previous	633-4	647-8
High/low	633	647/643
AM Official	632.5-3.0	648.5-7.0
Kerb close		642-3
Open int.	42,444	
Total daily turnover	5,725	

■ NICKEL ($ per tonne)

Close	6555-60	6660-5
Previous	6680-70	6765-70
High/low		6740/6640
AM Official	6574-5	6680-82
Kerb close		6655-60
Open int.	74,132	
Total daily turnover	16,182	

■ TIN ($ per tonne)

Close	5310-20	5335-400
Previous	5380-90	5460-70
High/low	5345	5445/5400
AM Official	5345-50	5421-25
Kerb close		5400-10
Open int.	15,817	
Total daily turnover	3,694	

■ ZINC, special high grade ($ per tonne)

Close	1039-40	1060-1
Previous	1049-50	1069.5-70
High/low	1040.5	1065/1057
AM Official	1040.5-41	1060.5-61
Kerb close		1060-1
Open int.	106,544	
Total daily turnover	22,251	

■ COPPER, grade A ($ per tonne)

Close	2497.5-8.5	2491-2
Previous	2541.5-2.5	2534.5-5.5
High/low	2512/2510	2513/2489
AM Official	2509-10	2500-01
Kerb close		2490-1
Open int.	223,558	
Total daily turnover	48,229	

■ LME AM Official £/$ rate: 1.5842
LME Closing £/$ rate: 1.5845

Spot 1.5854 3 mths 1.5845 6 mths 1.5811 9 mths 1.5767

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Oct	117.00	+0.30	117.00	117.00	2,265	320
Nov	115.25	-	114.50	114.50	1,124	93
Dec	114.85	+0.20	115.00	113.70	39,775	9,785
Jan	114.40	+0.25	113.80	113.80	790	71
Feb	113.90	+0.25	-	-	456	18
Mar	113.50	+0.25	113.60	112.40	6,478	932
Total					57,401	11,563

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	390.30-390.70	
Opening	391.60-392.00	
Morning fix	391.95	247.412
Afternoon fix	391.20	246.861
Day's High	392.30-392.70	
Day's Low	390.20-390.60	
Previous close	392.50-392.90	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.61	6 months	4.96
2 months	4.66	12 months	5.30
3 months	4.79		

Silver Fix	p/troy oz.	US cts equiv.
Spot	354.40	561.35
3 months	359.40	568.90
6 months	364.90	576.65
1 year	378.95	595.50

Gold Coins	$ price	£ equiv.
Krugerrand	394.05-397.05	249-252
Maple Leaf	401.90-404.45	-
New Sovereign	92-95	57-61

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Oct	390.7	-0.2	391.7	390.8	171	8
Nov	391.9	-0.3	-	-	-	-
Dec	393.4	-0.4	395.2	393.1	108,550	42,918
Feb	396.8	-0.4	398.5	398.4	20,028	447
Apr	400.3	-0.4	401.2	401.2	7,184	34
Jun	403.9	-0.4	404.5	404.5	10,350	98
Total					181,833	43,632

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Oct	417.3	-2.2	417.5	417.5	263	27
Jan	420.3	-3.2	424.0	418.0	19,868	1,783
Apr	424.1	-3.2	425.0	424.0	2,891	142
Jul	427.6	-3.2	430.0	428.0	512	-
Oct	430.3	-3.2	-	-	335	-
Jan	433.3	-3.2	-	-	2	-
Total					23,972	1,982

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Dec	153.45	-0.80	155.00	152.50	5,026	169
Mar	154.45	-0.80	-	-	1,407	11
Jun	155.55	-0.80	-	-	152	-
Total					6,586	181

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

Oct	557.1	-3.0	558.5	558.5	6	1
Nov	559.1	-3.1	-	-	-	23,775
Dec	561.5	-3.2	565.0	561.0	95,808	1
Jan	564.1	-3.2	568.0	568.0	45	517
Mar	570.2	-3.2	574.0	570.5	10,986	51
May	576.7	-3.2	579.5	577.0	4,606	24
Total					125,833	24,406

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	18.23	-0.03	18.63	18.11	79,781	58,327
Dec	18.37	-0.03	18.73	18.27	88,133	58,538
Jan	18.39	-0.03	18.67	18.31	53,266	18,787
Feb	18.33	-0.06	18.66	18.30	25,165	9,550
Mar	18.30	-0.07	18.63	18.30	22,350	3,134
Apr	18.46	+0.14	18.60	18.50	16,196	1,504
Total					434,882	158,900

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	16.89	-0.04	17.25	16.83	84,043	26,225
Dec	16.95	-0.05	17.33	16.92	82,761	20,659
Jan	16.97	-0.07	17.34	16.93	21,354	5,870
Feb	16.95	-0.05	17.26	16.93	10,906	1,769
Mar	16.93	-0.07	17.20	16.93	8,232	750
Apr	16.92	-0.08	17.08	16.91	4,513	1,340
Total					183,741	57,155

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	50.65	+0.22	51.60	50.50	34,652	18,944
Dec	51.70	+0.25	52.55	51.45	43,538	11,427
Jan	52.45	+0.15	53.30	52.40	31,493	2,340
Feb	53.00	+0.20	53.70	53.00	16,222	1,809
Mar	52.55	-	53.35	52.55	12,282	886
Apr	52.54	-	-	-	4,635	691
Total					170,458	36,551

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	156.00	-2.75	160.25	156.00	24,773	5,202
Nov	158.25	-2.50	162.50	158.25	29,172	7,249
Dec	160.25	-2.00	163.75	159.75	22,261	2,776
Jan	161.75	-1.75	165.25	161.25	16,311	1,346
Feb	162.25	-2.00	164.50	162.00	6,207	594
Mar	162.00	-2.00	164.50	162.00	6,248	433
Total					114,685	17,635

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	1.652	+0.028	1.680	1.630	28,219	10,425
Dec	1.960	+0.016	1.985	1.950	29,141	3,665
Jan	2.075	+0.025	2.085	2.055	17,145	1,507
Feb	2.020	+0.020	2.030	2.005	14,473	1,056
Mar	1.975	+0.020	1.985	1.965	11,830	600
Apr	1.925	+0.020	1.935	1.920	7,125	307
Total					152,036	20,783

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	47.45	-0.07	48.45	47.00	25,358	18,479
Dec	55.95	-0.19	56.74	55.75	17,240	8,143
Jan	55.40	-0.19	56.10	55.40	10,748	3,146
Feb	55.45	-0.23	56.00	55.45	5,426	1,592
Mar	56.80	-	-	-	2,433	989
Apr	60.00	-	-	-	3,969	1,331
Total					71,483	33,891

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	103.75	-0.85	103.90	103.40	2,086	328
Jan	105.75	-0.75	105.80	105.50	1,939	244
Mar	107.90	-0.65	107.90	107.50	1,416	112
May	109.90	-0.60	110.00	109.50	1,413	105
Jul	112.00	-0.55	112.00	112.00	253	10
Sep	96.40	-0.60	97.00	96.50	35	10
Total					7,138	809

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Dec	413/0	+4/6	414/4	409/2	47,702	8,525
Mar	421/0	+4/6	421/4	417/2	21,992	3,237
May	392/2	+2/2	393/4	389/4	3,058	334
Jul	356/0	-1/2	357/0	352/4	7,224	1,341
Sep	358/6	-2/0	358/6	356/2	164	10
Dec	368/0	-1/4	368/0	368/0	123	8
Total					80,269	13,456

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Dec	213/6	-0/4	214/0	213/2	133,566	20,108
Mar	223/4	-0/4	224/0	223/2	49,459	4,345
May	231/0	-0/2	231/2	230/4	21,171	1,526
Jul	236/0	-0/2	236/4	235/6	23,766	2,698
Sep	241/0	-	241/4	241/0	1,841	306
Dec	246/2	-0/4	247/0	246/0	9,070	1,364
Total					239,318	30,407

■ BARLEY LCE (£ per tonne)

Nov	102.25	-0.65	102.50	102.50	436	19
Jan	104.50	-0.10	104.25	104.25	398	5
Mar	106.50	-0.05	-	-	128	-
May	108.50	-0.40	-	-	46	-
Sep	95.00	-	-	-	2	-
Nov	97.00	-	-	-	-	-
Total					1,010	24

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Nov	529/6	+2/4	531/0	526/6	75,420	24,660
Jan	540/6	+3/2	541/4	537/2	26,411	6,509
Mar	550/2	+2/4	551/0	547/2	16,739	4,079
May	558/6	+2/0	559/4	556/0	7,910	886
Jul	565/4	+1/6	566/4	563/4	14,223	1,709
Aug	568/2	+1/4	569/6	567/4	501	93
Total					147,847	38,506

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Oct	24.95	+0.18	24.97	24.60	8,171	2,159
Dec	23.78	+0.13	23.80	23.41	39,546	9,168
Jan	23.36	+0.06	23.37	23.13	10,755	1,531
Mar	23.15	+0.04	23.17	22.91	12,866	2,205
May	22.95	-0.03	23.03	22.85	8,621	1,406
Jul	22.81	-0.05	22.95	22.76	6,207	855
Total					86,042	17,441

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Oct	160.6	+0.7	160.9	159.5	3,387	1,533
Dec	161.4	+0.9	161.8	160.3	46,809	7,981
Jan	163.0	+1.0	163.3	161.9	15,407	1,223
Mar	165.6	+0.6	165.9	164.9	12,358	1,365
May	168.3	+0.6	168.9	167.8	7,322	530
Jul	171.7	+0.6	171.8	170.7	6,277	1,232
Total					93,622	14,168

■ POTATOES LCE (£/tonne)

Nov	150.0	-	-	-	-	-
Mar	165.0	-	-	-	-	-
Apr	222.5	+6.0	223.0	214.0	1,254	217
May	238.0	-	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					1,254	217

■ FREIGHT (BIFFEX) LCE ($10/index point)

Oct	1868	+30	1835	1835	551	12
Nov	1830	+13	1835	1825	353	24
Dec	1818	+23	1820	1810	138	20
Jan	1787	+27	1790	1780	1,068	120
Apr	1763	+28	1770	1750	634	105
Jul	1543	+38	1525	1518	127	7
Total					2,886	288

	Close	Prev
BFI	1772	1747

Tea

The Tea Broker's Association reports less demand. A few selected best Assams sold well at firm rates but others were 2 to 5 easier following quality, with plainest sorts neglected. Brightest East Africans sold readily at last levels but below best lost 4 to 8 pence. Mediums opened about steady but closed up to 5 down. Bright ceylons sold well at firm rates but plainer sorts were lower. Fair demand at about steady rates although Ugandas were neglected. Quotations: best available 200p/kg., good 140p/kg., good medium 126p/kg., medium 115p/kg., low medium 86p/kg. nom. The highest price realised this week was 230p for an Assam pf

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	934	-	943	930	24,998	1,528
Mar	970	+1	976	964	39,869	1,368
May	983	+1	987	978	13,020	147
Jul	996	+1	1000	995	6,090	95
Sep	1008	-	1015	1008	10,247	74
Dec	1026	-	1035	1024	8,176	54
Total					106,941	3,472

■ COCOA CSCE (10 tonnes; $/tonnes)

Dec	1261	+8	1274	1256	9,847	6,539
Mar	1315	+6	1327	1309	14,734	4,489
May	1344	+6	1354	1339	7,627	1,339
Jul	1375	+6	1380	1370	2,598	44
Sep	1404	+6	-	-	1,291	30
Dec	1436	+6	1435	1435	914	18
Total					75,095	12,463

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Oct 7 Daily	986.73	976.54

■ COFFEE LCE ($/tonne)

Nov	3448	-101	3575	3400	8,847	1,430
Jan	3446	-77	3548	3375	14,734	3,068
Mar	3384	-80	3490	3310	7,627	1,578
May	3388	-85	3480	3310	2,598	454
Jul	3343	-102	3450	3325	1,291	47
Sep	3323	-83	3400	3300	914	243
Total					37,011	6,820

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Dec	178.75	13.15	195.50	179.25	17,276	10,889
Mar	184.05	12.95	198.50	183.75	10,897	3,597
May	200.90	-9.00	200.90	200.90	3,991	72
Jul	201.95	-9.00	201.95	201.95	1,386	18
Sep	202.50	-9.00	-	-	842	86
Dec	202.90	-9.00	-	-	840	3
Total					35,334	14,665

■ COFFEE (ICO) (US cents/pound)

Oct 7	Price	Prev. day
Comp. daily	182.43	195.33
15 day average	202.06	203.37

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

Jan	11.82	-	-	-	-	-
Mar	12.58	-	-	-	90	-
May	12.78	-	-	-	-	-
Jul	12.63	-	-	-	450	-
Total					540	-

■ WHITE SUGAR LCE ($/tonne)

Dec	329.20	-2.10	331.10	328.50	3,756	158
Mar	329.30	-1.80	331.50	328.70	8,032	500
May	329.00	-1.80	330.90	328.20	1,526	261
Aug	328.40	-1.90	330.40	327.70	1,713	88
Oct	312.80	-1.70	313.20	313.20	381	10
Dec	311.50	-1.70	-	-	4	-
Total					15,412	1,017

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	12.42	-0.05	12.44	12.37	85,952	3,964
May	12.45	-0.04	12.47	12.42	17,170	562
Jul	12.36	-0.04	12.37	12.33	11,355	689
Oct	12.10	-0.05	12.11	12.08	9,094	67
Mar	11.73	-0.05	11.73	11.73	1,433	5
May	11.73	-0.05	-	-	9	-
Total					135,016	5,267

■ COTTON NYCE (50,000lbs; cents/lbs)

Dec	67.48	+0.03	67.84	67.12	27,709	5,464
Mar	69.18	+0.06	69.35	68.84	11,599	566
May	70.33	+0.03	70.40	70.08	6,475	134
Jul	71.10	-0.05	71.25	70.90	3,940	28
Oct	68.70	-	68.70	68.70	542	17
Dec	68.00	-0.10	68.00	67.90	1,809	37
Total					52,272	6,282

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Nov	91.20	+0.15	91.50	89.50	7,210	563
Jan	95.10	+0.70	95.25	93.00	6,232	976
Mar	98.60	+0.80	98.25	96.40	4,789	400
May	102.10	+0.60	101.50	100.25	1,161	3
Jul	105.35	+0.35	104.25	104.00	618	10
Sep	108.10	+0.10	108.25	107.25	248	30
Total					28,763	2,008

VOLUME DATA

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Oct 10	Oct 7	month ago	year ago
2061.0	2076.5	2089.0	1577.5

■ CRB Futures (Base: 1967=100)

Oct 7	Oct 6	month ago	year ago
229.17	230.26	232.94	218.44

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	66.875	-0.500	67.525	66.700	12,873	6,929
Dec	67.600	-0.975	68.875	67.525	24,990	5,377
Feb	66.925	-0.825	68.000	66.850	15,833	2,161
Apr	67.350	-0.650	68.150	67.275	11,036	795
Jun	64.225	-0.450	64.800	64.200	2,709	299
Aug	63.625	-0.400	64.100	63.600	1,267	327
Total					68,889	15,890

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Oct	34.375	+0.225	34.800	34.250	2,660	1,895
Dec	35.625	-0.050	35.950	35.350	16,362	3,938
Feb	37.300	-	37.675	37.200	8,437	1,363
Apr	37.400	+0.050	37.700	37.325	3,367	535
Jun	42.975	-0.075	43.050	42.825	1,545	92
Aug	42.450	-0.025	42.475	42.200	253	17
Total					31,174	7,975

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	40.250	+0.025	40.700	39.900	8,072	1,798
Mar	40.350	-0.075	40.700	40.050	840	145
May	41.375	-0.025	41.700	41.050	259	50
Jul	42.100	-0.050	42.300	41.900	246	34
Aug	41.300	-	-	-	56	2
Total					9,473	2,029

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Nov	Feb	Nov	Feb
1625	34	77	30	64
1650	23	65	43	77
1675	14	55	60	91
■ COPPER (Grade A) LME	Nov	Feb	Nov	Feb
2500	45	90	52	106
2550	26	70	82	135
2600	13	53	120	168
■ COFFEE LCE	Nov	Jan	Nov	Jan
3600	31	182	183	336
3650	22	167	224	371
3700	15	154	267	408
■ COCOA LCE	Dec	Mar	Dec	Mar
925	34	84	25	39
950	20	70	39	50
9750	14	58	55	63
■ BRENT CRUDE IPE	Nov	Dec	Nov	Dec
1650	44	81	2	36
1700	15	59	21	54
1750	10	51	54	84

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Nov)

		+or-
Dubai	$15.80-5.83t	-0.295
Brent Blend (dated)	$16.71-6.73	-0.24
Brent Blend (Nov)	$16.93-6.95t	-0.27
W.T.I. (1pm est)	$18.20-8.21t	-0.375

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$173-176	
Gas Oil	$162-163	-1
Heavy Fuel Oil	$92-95	+1
Naphtha	$168-169	+1
Jet fuel	$180-182	-5
Diesel	$164-165	-3

Petroleum Argus. Tel. London (071) 359 8792

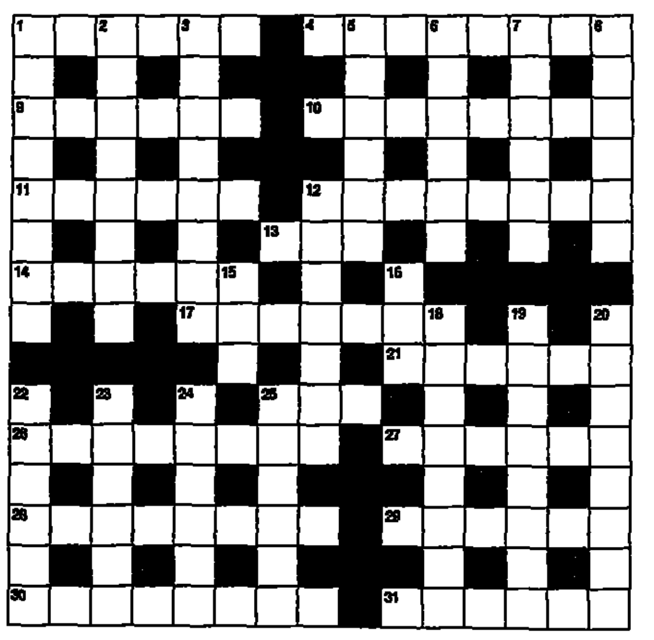
■ OTHER

Gold (per troy oz)♣	$390.50	-2.20
Silver (per troy oz)♣	558.5c	-6.0
Platinum (per troy oz.)	$417.10	-3.0
Palladium (per troy oz.)	$153.25	-0.25
Copper (US prod.)	122.0c	-1.0
Lead (US prod.)	39.25c	
Tin (Kuala Lumpur)	13.65c	-0.04
Tin (New York)	250.5c	-2.0
Cattle (live weight)†	116.97p	+0.77*
Sheep (live weight)†♠	90.46p	+2.36*
Pigs (live weight)	71.43p	+0.58*
Lon. day sugar (raw)	$309.8	+1.3
Lon. day sugar (wte)	$326.0	-7.8
Tate & Lyle export	£308.0	+2.0
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	$136.0	
Wheat (US Dark North)	Unq.	
Rubber (Nov)♥	95.25p	+0.50
Rubber (Dec)♥	94.75p	+0.50
Rubber (KL RSS No1 Jul)	354.5m	+2.0
Coconut Oil (Phil)§	$612.5u	
Palm Oil (Malay.)§	$585.0t	-2.5
Copra (Phil)§	$393.0u	
Soyabeans (US)	£154.0v	
Cotton Outlook'A' index	73.60c	
Wooltops (64s Super)	434p	-4

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y July/Sep. z Aug. v Nov/Dec. u Oct/Nov. t Nov. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week © Prices are for previous day.

CROSSWORD

No.8,581 Set by DANTE



ACROSS

1 Not liable to grant immunity (6)
4 Later on I turn to the east (8)
9 Key batsman? (6)
10 Fires confined to parts of churches (8)
11 Produced returned bill and sued maker (6)
12 It's hardly surprising there's a lack of awe (2,6)
13 Recall the French word for "cat" (3)
14 Good fellows left on board (6)
17 Spider and fly (7)
21 In hostilities I have a get out (6)
25 A church vault (3)
26 In a convent it gives preferential treatment (8)
27 Repast that is eaten in S. Africa (6)
28 Travel through East End district with offensive weapon (8)
29 Oriental wrapper for a book Kipling wrote on love (6)
30 Went so fast was barely visible (8)
31 Loved action and colour (6)

DOWN

1 Put a ban on spirits (8)
2 Dead estate agent (8)
3 French officials with authority over the lower classes? (8)
5 Haphazard arrangement of right and order (6)
6 Take on work (6)
7 One is seen in exchange of angry words (6)
8 Result, strangely, in a glossy appearance (6)
12 Notice to keep out nothing in the accounts (2,5)
15 Health resort's endless boom (3)
16 Service accommodation (3)
18 Such an atmosphere is thin, fear dire consequences (8)
19 Sinner in action (4-4)
20 Title used in all-in wrestling? (8)
22 Periods when the odds are on the experts (6)
23 Potency of port, half-an-hour later (6)
24 Big run on a famous Swiss bank (6)
25 Do in (2-4)

Solution to Saturday's prize puzzle on Saturday October 22.
Solution to yesterday's prize puzzle on Monday October 24.

LONDON STOCK EXCHANGE

MARKET REPORT

Strong rise in shares in modest trading volume

By Terry Byland,
UK Stock Market Editor

A wide-ranging but somewhat thinly-supported rally in UK stocks yesterday took the FT-SE 100 Share Index comfortably clear of the 3,000 mark. With the US bond market shut down for the day, London equities responded readily to firmness in British government bonds and to a good premium on the Footsie future contract, although volume in the derivatives market was also low.

Most of the gain came at the opening of the session, and the final reading of 3,032.3 on the FT-SE 100 Index, while showing a net gain of 33.6 on the day, was a shade off the mid-morning level. The strength of German bond and equity markets helped UK markets forward.

The market appeared unaffected by developments in the Middle East, although oil shares were generally firmer behind strengthening crude oil prices. Traders said that the rebound in share prices reflected an oversold market, with bear covering encouraged by further signs of returning stability in the gilt-edged market. The latest survey of fund managers' opinion by Smith New Court, the London securities house, and Gallup, indicted significantly increased optimism towards UK government bonds; a more stable bond market is regarded as the necessary basis for a genuine upturn in equities. The fund managers' survey appeared to indicate the impact of the latest rise in base rates on domestic inflation.

There was little response to the day's economic data, showing a modest rise in UK producer in prices and some improvement in consumer spending. This week will bring a heavy list of economic data. Domestic inflation figures will be published tomorrow, but dealers said that the chief test will come at the end of the week when US industrial production and plant capacity statistics are due. The company news list was headed by Lucas Industries which rose sharply on news of higher profits and a greater focus on the automotive business.

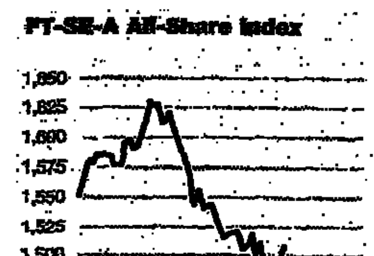
There was little distinction between the blue chip market and the second line issues. The FT-SE Mid 250 Index added 35.3 to 3,482.8. Seaq volume dipped to 488.7m shares from Friday's 512.4m; retail or customer business on Friday returned a worth of £1.42bn. London took little notice yesterday afternoon of the Dow Industrial Average, up 16 in UK trading hours in a New York market moving at half speed for Columbus Day.

The strongest rebounds came among the bank shares. Retail or consumer issues made some headway, although dealers admitted that trading volumes had been unimpressive. Shares in Eurotunnel made progress after the first reports disclosed a favourable trend in freight volume during the first two months of operation.

Much of the trade recorded yesterday consisted of professional bargain-hunting by securities houses unwilling to wait for the return to full trading in New York this afternoon. While many analysts still predict that the London stock market will improve before Christmas, they also believe that any improvement should be viewed as "no more than a seasonal rally." There are also fears that consumer spending power may remain squeezed during the coming twelve months, thereby continuing to deprive the economic recovery of an important impetus. This combination of cautious optimism and nervous concern has caused market analysts to recommend shares regarded as dependable, rather than those offering potentially above average growth.

This somewhat muted confidence depends on assumptions that UK base rates will remain unchanged until the new year. Mr Kenneth Clarke, UK chancellor of the exchequer, said yesterday that he had seen no further evidence of domestic inflation since his last meeting with the Governor of the Bank of England.

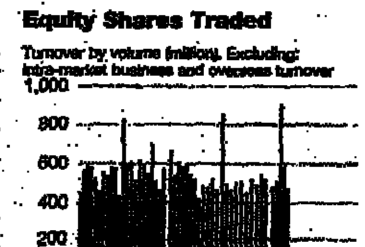
FT-SE-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ **Key Indicators**

Indices and ratios

FT-SE 100	3032.3	+33.6	FT Ordinary Index	2338.9	+28.5
FT-SE Mid 250	3482.8	+35.3	FT-SE-A Non Fins p/e	18.62	(18.38)
FT-SE-A 350	1522.5	+16.6	FT-SE100 Fut Dec	3057.0	+40.0
FT-SE-A All-Share	1509.49	+15.3	10 yr Gilt yield	8.80	(8.82)
FT-SE-A All-Share yield	3.99	(4.03)	Long gilt/equity yld ratio:	2.21	(2.20)

Best performing sectors

1 Tobacco .... +2.8
2 Gas Distribution .... +2.8
3 Merchant Banks .... +2.5
4 Water .... +2.3
5 Transport .... +2.1

Worst performing sectors

1 Other Services & Bus .... -0.1
2 Retailers, Food .... -0.1
3 Pharmaceuticals .... -0.0
4 FT-SE SmallCap ex IT .... -0.0
5 FT-SE SmallCap .... +0.1

Scottish TV under pressure

Scottish Television was one of the main casualties in the London market, the shares falling 44 to 430p as the company warned that profits for the year would be around £9m against £13.1m last time because of limits on airtime sales.

The warning came less than three weeks after Mirror Group acquired around 20 per cent of the company's shares at 520p a share. There were some mutterings in the City that the group, and the securities house which carried out the deal, might now be looking foolish and Mirror shares fell 3 to 128p.

Mr Neill Junor of NatWest Securities, the house which carried out the initial agency crosses representing 14.9 per cent, said that there might have been a very short time available to the Mirror to acquire the stake and it would be able to offset the cost of the interest payable through equity accounting. Mr Robert Jolliffe of Hoare Govett argued that it was a long term play and said: "In time the strategic value of the deal should become clear." Mr Junor held his 1995 forecast at £17m and Mr Jolliffe downgraded by £3m to £19m.

Although it was suspected that the Scottish interim figures would be disappointing they came only two days before Mr Stephen Dorrell, the national heritage secretary, is expected to make a key speech at the Tory party conference. There is speculation that he might announce plans to lift restrictions on cross-media ownership. If so, the impact on prices could be sharp as the market looks for the next wave of takeover deals.

Telegraph deals

The buy-back of Telegraph shares began as dealers said parent group Hollinger came into the market to acquire 1.4m shares at 330p a share.

The block is part of an intended 6.5m share purchase announced on Friday and the trade is expected to irritate financial institutions who were persuaded to pay 580p a share for 12.5m shares sold by Hollinger in May.

One month after the original stake sale the Telegraph cut its newspaper cover price and the shares slumped to the current price. Yesterday the shares improved 4 to 334p with final turnover hitting 3.3m, the highest since the June slump.

BAA advance

Airports group BAA was the day's best performing Footsie stock, jumping 22 to 496p as interest in the shares mounted ahead of Thursday's traffic figures for September.

Activity was relatively light at 1.7m trades but traders said interest was keen following last week's better than expected traffic showing from British Airways.

Hambros delivered the best performance in the merchant banks, the shares moving up 10 to 243p, while SG Warburg jumped 23 to 610p. Buy recommendations from Smith New Court helped drive Kleinwort Benson 16 better to 449p and Schroders up 10 to 1323p.

Standard Chartered was the star turn in the banks with the shares aggressively bought after a profits upgrade by NatWest Securities. The latter's banks analyst, Mr Mark Eady lifted his current year profits estimate to £500m, from £464m and that for next year to £559m, from £559m, after a trip to the bank's far eastern operations. Standard Chartered shares closed 9 higher at 267p.

Persistent rumblings around the market that Barclays Bank has suffered from big losses in proprietary trading failed to prevent the bank's shares moving up 11 to 542p. There was also talk that some institutions had been switching out of Barclays and into NatWest, up 12 at 494p.

The persistent bid rumours circulating in the insurance sector remained sharply focused on Willis Corroon, the insurance broker whose shares edged up 3 more to 155p with a big buyer of Willis shares said to have been operating in the market. HSBC, the bank, was mentioned as a potential bidder for Willis. Earlier this year HSBC bought a 6 per cent stake in Hogg Group, the insurance broker but later sold it on the Inchcape after the latter launched a bid for Hogg.

The results from Lucas Industries pleased the market, pushing the shares up 17 to 194p and prompting most analysts to upgrade their forecasts for current year profits.

The company's £110m of operating provisions were right at the top end of brokers' estimates but a maintained dividend and confident statement helped push the shares ahead steadily on turnover of 4.6m.

The feeling among securities houses is that the bulk of the axe-swinging by new chief executive George Simpson is now over. Panmure Gordon has upgraded 1994-95 profit forecasts by £15m to £125m.

Diversified industrials were heavily traded with turnover of close to 6m in both Cookson and Harrisons and Crosfield. BTR rose 10 to 314p aided by short covering following the expiration of Friday of a line of warrants.

PowerGen jumped 20 to 559p and National Power 13 to 487p as institutions continued to increase weightings ahead of the February sale of the government's remaining 40 per cent stakes in both groups.

Oil shares moved higher, but never looked like outpacing the wider market, eventually closing below the day's highest levels, along with crude oil prices. Oil sector specialists said institutions had been buyers of the oil majors, but only as an insurance against a potential escalation in the Gulf story.

BP added 3 at 418½p and Shell, catching up after its underperformance against BP, rose 9 to 710p.

The news that J Sainsbury had raised the stakes in the tough pricing battle between UK food retailers unsettled the shares leaving them 2½ lighter at 394½p.

Great Universal Stores closed at 562p xd. There was some speculation that the company was about to carry out the much talked about share buy back scheme.

Pharmaceuticals group Zeneca fell 8 to 807p as one house was said to have been unable to find a home for a line of 2m shares. Some dealers suggested the shares were finally placed at 812p by BZW but the overhang cast a pall over the sector and Wellcome lost 8 to 660p. Glaxo, also affected by news that its German subsidiary was changing the label on its Imigran migraine drug and alerting doctors to possible risks associated with the medicine, shed 2½ to 572½p.

MARKET REPORTERS:
Steve Thompson,
Peter John, Joel Kibazo,
Jeffrey Brown.

■ Other statistics, Page 30

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (28). CHEMICALS (1) Doeflex, ENGINEERING (1) Kelsey, EXTRACTIVE INDS (1) [illegible], INVESTMENT TRUSTS (2) LEISURE & HOTELS (2) Chrysalis, Northern, MEDIA (1) Elsevier, OIL EXPLORATION & PROD (1) Gt. Western, [illegible] GOODS (2) Creighton Naturally, Lionheart, Tomkinsons, INSURANCE (2) Finsbury Underwriting, Marsh & McLennan, INVESTMENT TRUSTS (13) INVESTMENT COMPANIES (1) Beta Viet Nam Uts., LEISURE & HOTELS (2) Break for the Border, Hi-Tec, LIFE ASSURANCE (1) Lincoln Natl., MEDIA (2) Portsmouth & Sunderland, Quarto, OIL EXPLORATION & PROD (1) New London, OTHER FINANCIAL (4) Christie, INVESCO, Tyndall Australia Opts., Union, OTHER SERVS & BUSNS (1) Emotio, PHARMACEUTICALS (1) Novo Nordisk B, PRTNG, PAPER & PACKG (1) AG, PROPERTY (14) Bilton, Brightstone, Conrad Ritblat Sinclair Goldsmith, Debenham Tewson & Chinnocks, Fiscal, Gt. Portland 9¼pc 2002, Hammingway 7¼pc Ln. 2027, Hering Baker Harris, London & Metropolitan, Mountview, Newport, OEM, Savills, Stanhope, RETAILERS, GENERAL (6) Aspray, Boots, Cantors., Fine Art Devs., Nottingham, Pernos, SUPPORT SERVS (6) ISS-Int Serv. B, MR Data Mngmt., McDonnell Info, Micro Focus, Microgen, Pegasus, TEXTILES & APPAREL (1) Hollas, AMERICANS (5) General Electric, Hasbro, Ingersoll-Rand, Malvy Tech., Tenneco.

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures moved ahead briskly - for the third session in a row - but activity was disappointing with volume falling short of 11,000 contracts, writes Jeffrey Brown.

At the official 4:10pm close the FT-SE 100 December contract was 40 points higher at 3,057. This was just short of the 3,058 best of the day. The premium to the cash market 24.7 points and the fair value premium around 16 points.

The premium to cash equities was substantial for most of the day but traders said most attempts to provide the the cash market with a viable lead lacked conviction.

Traders pointed to the lacklustre level of activity – there were just 10,657 contracts, against 13,892 on Friday – and said this reflected the finely poised balance of opinion on where the December contract goes from here.

"There are plenty of people around who cannot really believe that a recovery in equities is finally under way", said one leading trader yesterday.

Volume in traded options totalled 24,420 lots, down from 27,669 lots on Friday. FT-SE and Euro FT-SE volume accounted for more than half of the day's trading at 14026 lots.

BT (765 lots), RTZ (765) and Redland (698) were the most actively traded individual options

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3021.0	3057.0	+40.0	3058.0	3021.0	11687	55516
Mar	-	3091.5	+40.5	-	-	0	2176

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

Dec	3500.0	3500.0	+40.0	3500.0	3500.0	50	4258

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

Dec	-	3500.0	-	-	-	-	0

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3031) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

[illegible]

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
3i†	139	317	+½
ASDA Group†	8,500	61½	+½
Abbey National†	2,700	400	+8
Albert Fisher	5	44	-1
[illegible]	[illegible]	[illegible]	[illegible]

FT-SE Actuaries Share Indices — The UK Series

	Oct 10	Day's chge%	Oct 7	Oct 6	Oct 5	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3032.3	+1.1	[illegible]	[illegible]	[illegible]	3102.2	4.17	7.17	16.48	107.39	1149.29
FT-SE Mid 250	3482.8	+1.0	[illegible]	[illegible]	[illegible]	3482.2	3.58	5.83	20.68	104.80	1298.91
FT-SE Mid 250 ex Inv Trusts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3490.5	3.75	6.32	19.25	108.91	1294.36
FT-SE-A 350	1522.5	+1.1	[illegible]	[illegible]	[illegible]	1549.7	4.04	6.86	17.28	52.08	1180.06
FT-SE SmallCap	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1786.77	3.34	4.96	25.28	47.28	1378.28
FT-SE SmallCap ex Inv Trusts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1778.53	3.54	5.51	23.08	48.95	1359.29
FT-SE-A ALL-SHARE	1509.49	+1.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	48	17	6
Other Fixed Interest	4	0	10
Mineral Extraction	90	23	83
General Manufacturers	192	89	357
Consumer Goods	58	32	97
Services	127	69	299
Utilities	31	5	8
Financials	143	57	165
Investment Trusts	164	39	265
Others	62	17	28
Totals	919	346	1318

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	October 10	Expiry	January 12
Last Dealings	October 21	Settlement	January 26

Calls: [illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

FT GOLD MINES INDEX

[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl.	□	£20⅞	+⅛	£25⅛	£19⅞	6,088	5.4	φ
ANZ A$		178	-2	278¼	178	2,369	5.2	27.9
Abbey National	†N□	400xd	+8	523	380½	6,248	4.9	13.4
Allied Irish I£	♣†N□	245xd	+7	314	233	1,619	5.1	8.4
Anglo Irish I£	N□	55	—	*70	50	189.3	7.8	10.0
Asahi Y	□	709½	-2	819¼	628	15,440	0.6	φ
Banco Bil Viz Pta	□	£15⅞	+⅛	£18⅞	£14½	3,870	5.3	7.0
Banco Sant Pta		£26⅜	—	*£30½	£23⅝	4,280	5.1	8.8
Bk Ireland I£	♣□	268	+5	*319	246	1,269	4.9	7.8
Bank Scotland	♣†N□	197	+3	247	172½	2,299	3.4	15.9
9¾pc Pf		111¼	—	141½	111	111.8	10.3	-
9¼pc Pf		117	—	148½	118	117.0	10.4	-
Barclays	♣†N□	563xd	+11	640	487	9,002	3.8	10.6
Dai Ichi Kan Y	□	£11⅞	+⅛	£12¾	£10⅞	35,308	0.5	-
Deutsche DM	□	£269⅞	+9⅞	£344¼	£270⅜	13,763	2.3	-
Espirito Santo	□	£8⅞	+⅛	*£13⅞	£8⅞	185.5	4.4	4.4
First Nat Fin	N□	89½	+½	*90	60	117.3	2.7	-
8.3pc Cv Pf		73	—	*90	73	4.91	10.8	-
7pc Cv Pf		131½	+½	171	123	62.4	6.7	-
Fuji Bank Y	□	1377½	-2½	1548¼	1152½	38,898	0.4	φ
HSBC HK	†N□	715xd	+11	1133	690	12,512	4.3	10.4
HSBC (75p Shs)	†N□	696xd	+13	1113	660	5,923	4.4	10.1
Lloyds	†N□	548xd	+8	680	519	7,070	3.3	10.7
Mitsubishi Y	□	£15¾	-⅛	£18⅞	£15⅞	48,313	0.3	φ
Mits Tst & Bk Y	□	921½	-¼	1162¼	687½	11,042	0.5	14.8
Mitsui Tst & Bk Y	□	721	-8¼	879	514	8,639	0.7	24.6
Nat Aust A$	†	478	+2	620¼	477	8,412	5.7	10.3
NatWest	†N□	494xd	+12	822	421	8,235	4.9	9.2
Ottomane FFr		£22	—	£33	£21¼	110.0	6.6	φ
Ryl Bk Scotland	♣†N□	400	+3	528	377½	3,204	3.8	18.1
Sakura Y	□	£8⅞	—	£9⅞	£8⅞	28,808	0.7	50.6
Sanwa Y	□	£12⅞	-⅛	£15⅞	£11⅞	36,731	0.4	-
Standard Chard	†N□	287xd	+8	*359¼	223	2,571	3.0	9.2
7 3/8pc Pf		83¼	-¼	109½	82¼	93.2	11.1	-
Sumitomo Y	□	£11⅞	-⅛	£16⅛	£11½	37,016	0.5	25.4
Sumitomo Tst Y	□	894	-17¼	1148½	625	10,995	0.6	φ
TSB	†N□	214½	+½	281	197	3,284	4.7	10.8
Tokai Y	□	£7⅞	-⅛	£9	£6⅞	19,470	0.7	48.2
Toyo Tst & Bk Y	□	702¼	-½	852	588¼	5,518	0.7	62.8
Westpac A$		216	—	260	194	3,913	2.5	φ
Yasuda Tst Bk Y	‡□	551¼	+1¼	668	442	6,088	0.9	49.4

BREWERIES

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Ascot Hldgs	□	2½	—	10¼	2½	9.28	-	-
Bass	†N□	527	+1½	619	485	4,800	5.0	13.8
Boddington	†N□	250xd	—	299	250	303.2	4.2	13.5
Burtonwood	N	188	—	198	168	38.7	3.4	15.5
Eldridge Pope A	♣†N	173	-1	181	142	33.7	2.6	24.0
Fosters A$		57	+2	66	46¾	1,834	4.9	φ
Fuller STA	♣♣N	380	—	493	380	77.5	2.8	15.7
Gibbs Mew	♣♣N	458	-10	*498	348¼	49.0	2.4	φ
Greenalls	♣†N□	412	+4	511	399	881.1	3.8	15.8
Greene King	N□	519	—	584	452	219.5	3.1	14.4
Grosvenor Inns	♣♣N	142	—	*165	124	18.8	4.2	φ
Holt (J)	†N	3650xd	—	3773	3125	109.5	1.7	20.5
Kirin Y	□	766½	-½	824¼	674	7,455	0.9	26.9

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

BUILDING & CONSTRUCTION

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

LEISURE & HOTELS - Cont.

OIL EXPLORATION & PRODUCTION - Cont.

PROPERTY - Cont.

RETAILERS, GENERAL - Cont.

TRANSPORT - Cont.

OIL, INTEGRATED

SPIRITS, WINES & CIDERS

WATER

OTHER FINANCIAL

SUPPORT SERVICES

AMERICANS

LIFE ASSURANCE

MEDIA

CANADIANS

OTHER SERVICES & BUSINESSES

OTHER INVESTMENT TRUSTS

TELECOMMUNICATIONS

TEXTILES & APPAREL

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£29½	—	£30	£13½	1,923	2.5	21.6
Barlow	z	84⅝	+⅜	£25¾	£23⅝	928.1	0.7	–
Gold Flds Prop R		118xd	—	128	75	12.1	7.8	ф
NK Props	z	95	—	95	85	3.82	12.5	ф
SASOL	♥	532	+36	532	280	3,025	2.6	–
SA Brews		21215	+⅜	£15½	£10	3,480	2.2	20.4
Tiger Oats	†	813	—	836	538	921.8	2.6	12.9
Tongaat-Hulett	n	599	-3	*£16½	356¼	545.9	2.1	18.7

PHARMACEUTICALS

RETAILERS, FOOD

INVESTMENT COMPANIES

MERCHANT BANKS

PRINTING, PAPER & PACKAGING

RETAILERS, GENERAL

OIL EXPLORATION & PRODUCTION

TOBACCO

TRANSPORT

LEISURE & HOTELS

PROPERTY

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) UK & Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xt ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (REGULATED)(**)

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IRELAND (SIB RECOGNISED)

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ISLE OF MAN (REGULATED)(**)

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JERSEY (REGULATED)(**)

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LUXEMBOURG (SIB RECOGNISED)

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LUXEMBOURG (REGULATED)(**)

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

CURRENCIES AND MONEY

MARKETS REPORT

Inflation worries cause 6 per cent fall in rouble

Continued fears about inflation and the state of public finances yesterday caused the Russian rouble to fall by 6 per cent, *writes Philip Gawith.*

The currency is not fully convertible, and hence is not traded on international foreign exchanges. It closed on Moscow's Interbank Currency Exchange at Rs3,081 from Rs2,896 on Friday.

Trading elsewhere was very quiet, with Japanese markets closed overnight, and US markets closed for the Columbus day holiday.

There was little evidence of the dollar gaining ground from tensions in the Gulf. It closed in London at Y100.63, from Y100.225, and at DM1.55 from DM1.5411.

Sterling lost half a cent against the dollar, to close at $1.5852, from $1.5905. It gained a similar margin against the D-Mark, finishing at DM2.4569 from DM2.4511.

A bright spot on the markets was the performance of short sterling futures which continued their recent recovery. The March 1995 contract closed at 92.63, 45 basis points higher than where it was a week ago. In the UK money markets the Bank of England provided £243m liquidity, compared to a £550m shortage.

The D-Mark was mixed in Europe, with two of the latest opinion polls predicting a hung parliament, and one a victory for Chancellor Kohl, in Sunday's national elections.

■ While the immediate cause of the recent slide in the rouble was the authorities' decision to stop intervening in the market, this comes against the backdrop of high levels of inflation.

Other factors include concerns about the health of President Boris Yeltsin, and the level of foreign reserves. Yesterday Mr Vyacheslav Solovov, deputy central bank chairman, blamed the rouble's fall on speculation and said the bank would not use its currency reserves. "We do not want to help market speculators," he told Reuters.

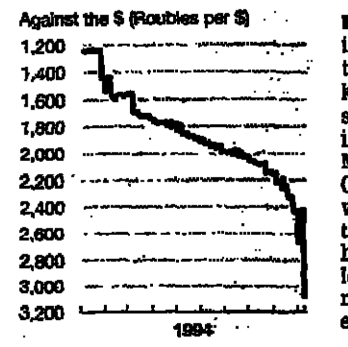
Some observers believe interest rates are too low, but Mr Viktor Gerashchenko, central bank chairman, has ruled out any immediate rise in rates.

■ In Europe the Finnish markka maintained its recent strength ahead of Sunday's referendum on joining the European Union. It closed at FM3.072 against the D-Mark, from FM3.07, after earlier rising to FM3.06.

Analysts said the markka had weakened after firm selling pressure had driven the Swedish krona down earlier in the day. It fell to SKr4.7830 against the D-Mark, from SKR4.76, before recovering to close at SKr4.770.

Rouble

Against the $ (Roubles per $)



Source: Datastream

Mr Keld Holm, international economist at Lehman brothers, said the other factor supporting the markka, other than optimism over the EU, was the strong export performance. He said people were beginning to realise that Finland was very well placed to benefit from any growth in Russia.

The markka has appreciated from FM3.32 at the beginning of June to its current level.

■ After initially showing some inclination to buy the dollar on tensions in the Gulf, the market now appears to be reconsidering. Mr Peter Luxton, international economist at MMS, said the lesson of the Gulf War in 1991 was that while it provided some short term support for the dollar, it had no longer term effect. The longer term trend was determined by the state of the US economy.

In Brazil, the central bank bought dollars at R$0.84. This was the second time, since the launch of the real three months ago, that the central bank has acted to curb its rise. The real has risen, from parity against the dollar, on the back of dollar weakness, and pre-election optimism about a victory for Mr Fernando Cardoso.

Exporters are now voicing disquiet, and the central bank is understood to want to curb further appreciation.

■ The uncertain outlook for currencies is reflected in a Chief Dealer survey published by the New York based Foreign Exchange letter. The survey, of 38 chief dealers, found that 26 per cent expect the dollar to fall below Y95 in the next three months, while 34 per cent saw it above Y105.

The $/DM picture is similarly confused, with 37 per cent of respondents expecting to see the dollar below DM1.50, and 39 per cent expecting to see it above DM1.60. Sterling's recent strength is expected to continue, with 55 per cent seeing it above $1.55.

■ Pound in New York

Oct 10	Latest	Prev. close
£ spot	1.5845	1.5865
1 mth	1.5842	1.5861
3 mth	1.5836	1.5855
1 yr	1.5725	1.5732

■ OTHER CURRENCIES

Oct 10	£	$
Hungary	171.758 - 171.968	108.370 - 108.470
Iran	2753.00 - 2758.00	1748.00 - 1750.00
Kuwait	0.4715 - 0.4729	0.2975 - 0.2983
Poland	36801.4 - 36860.8	23220.0 - 23250.0
Russia	5025.10 - 5040.90	3170.00 - 3180.00
U.A.E.	5.8132 - 5.8249	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Oct 10		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.2916	+0.0407	849 - 983	17.3012	17.1709	17.2873	0.3	17.2764	0.4	-	-	115.0
Belgium	(BFr)	50.5346	+0.1173	949 - 743	50.5750	50.4030	50.5546	-0.5	50.4696	0.5	50.1396	0.8	116.7
Denmark	(DKr)	9.6098	+0.0189	067 - 129	9.6142	9.5916	9.6055	0.5	9.6219	-0.5	9.6386	-0.3	116.8
Finland	(FM)	7.5564	+0.0239	481 - 647	7.5680	7.5040	-	-	-	-	-	-	88.2
France	(FFr)	8.3937	+0.017	900 - 974	8.3982	8.3838	8.3934	0.1	8.3895	0.2	8.3295	0.8	110.3
Germany	(DM)	2.4569	+0.0056	561 - 577	2.4578	2.4527	2.4558	0.6	2.4524	0.7	2.4216	1.4	125.9
Greece	(Dr)	374.984	+0.83	845 - 122	375.155	374.577	-	-	-	-	-	-	-
Ireland	(I£)	1.0130	+0.0016	123 - 136	1.0136	1.0114	1.0129	0.1	1.0132	-0.1	1.0154	-0.2	105.6
Italy	(L)	2498.95	+4.05	796 - 994	2500.18	2493.21	2505.85	-3.3	2517.6	-3.0	2569.05	-2.8	74.8
Luxembourg	(LFr)	50.5346	+0.1173	949 - 743	50.5750	50.4030	50.5546	-0.5	50.4696	0.5	50.1396	0.8	116.7
Netherlands	(Fl)	2.7508	+0.007	500 - 516	2.7560	2.7436	2.7498	0.4	2.7461	0.7	2.713	1.4	120.7
Norway	(NKr)	10.6797	+0.0265	764 - 829	10.6840	10.6443	10.6791	0.1	10.6828	-0.1	10.6837	0.0	86.3
Portugal	(Es)	250.898	+0.688	779 - 016	251.140	250.225	252.628	-8.3	255.808	-7.8	-	-	-
Spain	(Pta)	203.510	+0.529	438 - 581	203.594	203.264	203.91	-2.4	204.59	-2.1	207.145	-1.8	88.0
Sweden	(SKr)	11.7195	+0.0828	104 - 285	11.7429	11.6100	11.7385	-1.9	11.786	-2.3	11.9995	-2.4	75.8
Switzerland	(SFr)	2.0350	+0.0032	342 - 357	2.0360	2.0302	2.032	1.8	2.0263	1.7	1.9857	2.4	123.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.3
Ecu	-	1.2852	+0.0029	847 - 856	1.2857	1.2829	1.2848	0.4	1.2845	0.2	1.2814	0.3	-
SDR†	-	0.920641	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5827	-0.0042	824 - 830	1.5830	1.5803	-	-	-	-	-	-	-
Brazil	(R)	1.3299	-0.0101	281 - 317	1.3332	1.3275	-	-	-	-	-	-	-
Canada	(C$)	2.1340	-0.0092	333 - 347	2.1350	2.1319	2.1334	0.3	2.1321	0.4	2.1264	0.4	87.9
Mexico	(New Peso)	5.4093	-0.0261	045 - 141	5.4145	5.3990	-	-	-	-	-	-	-
USA	($)	1.5852	-0.0053	849 - 854	1.5855	1.5827	1.5848	0.3	1.5842	0.2	1.5737	0.7	62.4
Pacific/Middle East/Africa													
Australia	(A$)	2.1463	-0.0081	452 - 474	2.1500	2.1420	2.1463	0.0	2.1476	-0.2	2.1657	-0.9	-
Hong Kong	(HK$)	12.2505	-0.0404	481 - 528	12.2538	12.2313	12.2466	0.4	12.2455	0.2	12.2526	0.0	-
India	(Rs)	49.7242	-0.1683	104 - 380	49.7400	49.6530	-	-	-	-	-	-	-
Japan	(Y)	159.514	+0.111	409 - 618	159.680	159.020	159.034	3.6	158.084	3.6	152.699	4.3	185.8
Malaysia	(M$)	4.0699	-0.0089	684 - 713	4.0723	4.0629	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6186	-0.0105	171 - 201	2.6249	2.6136	2.6225	-1.8	2.6303	-1.8	2.6525	-1.3	-
Philippines	(Peso)	40.5840	-0.1516	783 - 497	40.6510	40.4755	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9495	-0.0211	473 - 516	5.9520	5.9399	-	-	-	-	-	-	-
Singapore	(S$)	2.3532	-0.0023	520 - 543	2.3645	2.3490	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6677	-0.0102	644 - 710	5.6725	5.6589	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.6212	-0.019	884 - 539	6.6540	6.5810	-	-	-	-	-	-	-
South Korea	(Won)	1266.70	-3.83	634 - 705	1267.26	1264.89	-	-	-	-	-	-	-
Taiwan	(T$)	41.5504	-0.0558	402 - 605	41.5621	41.4897	-	-	-	-	-	-	-
Thailand	(Bt)	39.7191	-0.0875	065 - 317	39.7340	39.6090	-	-	-	-	-	-	-

†SDR rates for Oct 7. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 10		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.9085	+0.062	060 - 110	10.9200	10.9000	10.9085	0.0	10.9083	0.0	10.8335	0.7	104.2
Belgium	(BFr)	31.8800	+0.18	600 - 000	31.9070	31.8100	31.88	0.0	31.89	-0.1	31.95	-0.2	105.8
Denmark	(DKr)	6.0624	+0.0321	614 - 634	6.0683	6.0513	6.0666	-0.8	6.0759	-0.9	6.1324	-1.2	105.3
Finland	(FM)	4.7670	+0.0309	625 - 715	4.7733	4.7341	4.767	0.0	4.7695	-0.2	4.7835	-0.3	82.6
France	(FFr)	5.2952	+0.0283	937 - 967	5.3005	5.2910	5.2967	-0.4	5.2957	0.0	5.2979	-0.1	106.5
Germany	(D)	1.5500	+0.0069	497 - 502	1.5520	1.5475	1.5497	0.2	1.5481	0.5	1.5406	0.6	108.8
Greece	(Dr)	236.560	+1.31	510 - 610	236.770	236.450	236.86	-1.5	237.435	-1.5	239.935	-1.4	68.9
Ireland	(I£)	1.5649	-0.0078	641 - 658	1.5670	1.5623	1.5647	0.1	1.5646	0.1	1.5494	1.0	-
Italy	(L)	1576.48	+7.8	610 - 685	1576.50	1573.50	1581.23	-3.6	1589.16	-3.2	1633.98	-3.6	75.1
Luxembourg	(LFr)	31.8800	+0.18	600 - 000	31.9070	31.8100	31.88	0.0	31.89	-0.1	31.95	-0.2	105.8
Netherlands	(Fl)	1.7354	+0.0102	351 - 356	1.7367	1.7310	1.7352	0.1	1.7334	0.4	1.7256	0.6	105.6
Norway	(NKr)	6.7373	+0.0391	363 - 383	6.7435	6.7165	6.7433	-1.1	6.7608	-1.4	6.8223	-1.3	96.5
Portugal	(Es)	158.280	+0.96	230 - 330	158.340	158.000	158.985	-5.3	160.18	-4.8	164.53	-3.9	95.0
Spain	(Pta)	128.385	+0.76	360 - 410	128.490	128.300	128.67	-2.7	129.14	-2.4	131.735	-2.6	81.0
Sweden	(SKr)	7.3933	+0.0767	887 - 978	7.4086	7.3240	7.4096	-2.6	7.4408	-2.6	7.6163	-3.0	81.6
Switzerland	(SFr)	1.2838	+0.0063	835 - 840	1.2848	1.2810	1.2822	1.4	1.2791	1.5	1.263	1.6	108.5
UK	(£)	1.5852	-0.0053	849 - 854	1.5855	1.5827	1.5846	0.3	1.5842	0.2	1.5737	0.7	88.7
Ecu	-	1.2335	-0.0068	332 - 337	1.2353	1.2325	1.2328	0.7	1.2321	0.4	1.227	0.5	-
SDR†	-	1.46520	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9985	+0.0007	984 - 985	0.9986	0.9983	-	-	-	-	-	-	-
Brazil	(R)	0.8390	-0.0035	380 - 400	0.8410	0.8370	-	-	-	-	-	-	-
Canada	(C$)	1.3463	-0.0013	460 - 465	1.3480	1.3460	1.3464	0.0	1.3458	0.1	1.3526	-0.5	84.3
Mexico	(New Peso)	3.4125	-0.005	100 - 150	3.4200	3.4100	3.4135	-0.4	3.4153	-0.3	3.4227	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	95.9
Pacific/Middle East/Africa													
Australia	(A$)	1.3540	-0.0006	535 - 545	1.3569	1.3535	1.3542	-0.2	1.3549	-0.3	1.3623	-0.6	86.7
Hong Kong	(HK$)	7.7283	+0.0004	280 - 285	7.7290	7.7280	7.728	0.0	7.7289	0.0	7.7438	-0.2	-
India	(Rs)	31.3688	-	650 - 725	31.3725	31.3650	31.4538	-3.3	31.5988	-2.9	-	-	-
Japan	(Y)	100.630	+0.405	580 - 680	100.750	100.480	100.36	3.2	99.79	3.3	97.135	3.5	147.4
Malaysia	(M$)	2.5675	+0.003	670 - 680	2.5685	2.5653	2.5583	4.3	2.547	3.2	2.6205	-2.1	-
New Zealand	(NZ$)	1.6520	-0.001	513 - 526	1.6562	1.6510	1.653	-0.7	1.6548	-0.7	1.6601	-0.5	-
Philippines	(Peso)	25.5900	-0.01	400 - 400	25.6500	25.5400	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7533	-0.0007	525 - 540	3.7547	3.7520	3.7546	-0.4	3.7587	-0.6	3.7773	-0.6	-
Singapore	(S$)	1.4845	+0.0035	840 - 850	1.4855	1.4825	1.4832	1.1	1.4813	0.9	1.4745	0.7	-
S Africa (Com.)	(R)	3.5755	+0.0055	740 - 770	3.5800	3.5730	3.591	-5.2	3.6193	-4.9	3.696	-3.4	-
S Africa (Fin.)	(R)	4.1770	+0.002	570 - 970	4.1990	4.1550	4.2107	-9.7	4.2695	-8.9	-	-	-
South Korea	(Won)	799.100	+0.25	000 - 200	799.200	798.800	802.1	-4.5	805.6	-3.3	824.1	-3.1	-
Taiwan	(T$)	26.2123	+0.0523	100 - 145	26.2160	26.1560	26.2323	-0.9	26.2723	-0.9	-	-	-
Thailand	(Bt)	25.0570	+0.0285	530 - 610	25.0620	24.9980	25.1295	-3.5	25.257	-3.2	25.737	-2.7	-

†SDR rate for Oct 7. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 7. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

October 10	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
					6⅜	7.40	4.50	-
Belgium	4¾	5	5⅛	5¼	6⅜	7.40	4.50	-
week ago	4¾	5	5 11/16	5 13/16	6 3/16	5.00	-	6.75
France	5⅝	5 9/16	5 11/16	5⅝	6 1/16	5.00	-	6.75
week ago	5⅛	5 7/16	5⅝	5⅝	5.75	6.00	4.50	4.85
Germany	4.90	4.95	5.20	5.30	5.63	6.00	4.50	4.85
week ago	4.15	4.85	5.18	5.23	7¾	-	-	6.25
Ireland	4⅞	5½	6⅜	6⅝	7¾	-	-	6.25
week ago	4⅜	5½	6⅜	6⅝	10⅛	-	7.50	8.20
Italy	8¼	8⅞	8⅞	9⅞	10	-	7.50	8.20
week ago	8¾	8⅞	8⅞	9½	5.82	-	5.25	-
Netherlands	4.84	5.00	5.23	5.37	5.75	-	5.25	-
week ago	4.84	5.00	5.22	5.36	4⅝	6.625	3.50	-
Switzerland	3⅞	3⅞	4⅜	4⅝	4⅞	6.625	3.50	-
week ago	3⅞	3⅞	4½	4⅝	6¼	-	4.00	-
US	4¾	5⅜	5 13/16	5⅞	6¼	-	4.00	-
week ago	4¾	5⅜	5⅞	5⅞	2⅞	-	1.75	-
Japan	2⅛	3	2¼	2⅛	2⅜	-	1.75	-
week ago	2⅛	3	2¼	2⅛				
■ $ LIBOR FT London								
Interbank Fixing	-	5⅜	5⅝	5⅞	6⅜	-	-	-
week ago	-	5⅜	5½	5¾	6⅛	-	-	-
US Dollar CDs	-	5.00	5.31	5.60	6.17	-	-	-
week ago	-	5.00	5.22	5.50	6.06	-	-	-
SDR Linked Ds	-	3⅝	3⅞	3¾	4	-	-	-
week ago	-	3⅝	3⅞	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅝; 3 mths: 5 13/16; 6 mths: 6⅛; 1 year: 6⅝. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 10	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 15/16 - 4 13/16	4 15/16 - 4 13/16	5 1/16 - 4 15/16	5 7/16 - 5 5/16	5⅞ - 5¾	6 9/16 - 6 7/16
Danish Krone	5¾ - 5½	5¾ - 5½	5⅞ - 5⅝	6½ - 6¼	7 - 6¾	7¾ - 7½
D-Mark	4 15/16 - 4 13/16	4 13/16 - 4 13/16	5 - 4⅞	5 7/16 - 5 5/16	5⅜ - 5¼	5 13/16 - 5 11/16
Dutch Guilder	5 - 4⅞	5 - 4⅞	5 - 4⅞	5¼ - 5⅛	5⅜ - 5¼	5 13/16 - 5 11/16
French Franc	5⅜ - 5¼	5 7/16 - 5 5/16	5 7/16 - 5 5/16	5¾ - 5⅝	6 - 5⅞	6½ - 6⅜
Portuguese Esc.	9 7/16 - 9 5/16	9⅜ - 9⅛	9 13/16 - 9⅝	10⅛ - 9 13/16	10 9/16 - 10 5/16	10⅝ - 10¼
Spanish Peseta	7½ - 7 5/16	7½ - 7 5/16	7 9/16 - 7 7/16	8 - 7⅞	8⅜ - 8¼	9⅛ - 9
Sterling	5½ - 5⅜	5½ - 5⅜	5½ - 5 7/16	5 13/16 - 5 11/16	6 7/16 - 6⅜	7¼ - 7 1/16
Swiss Franc	3¾ - 3⅝	3⅞ - 3¾	3⅞ - 3¾	4¼ - 4⅛	4⅜ - 4¼	4¾ - 4⅝
Can. Dollar	4 13/16 - 4⅝	5 - 4 13/16	5 - 4⅞	5 9/16 - 5 7/16	6 1/16 - 5 15/16	6⅞ - 6¾
US Dollar	4 15/16 - 4 13/16	4 15/16 - 4 13/16	5¼ - 5⅛	5¾ - 5⅝	5 15/16 - 5 13/16	6½ - 6⅜
Italian Lira	9 - 7½	8½ - 8⅜	8 9/16 - 8 7/16	8⅞ - 8¾	9 7/16 - 9 5/16	10⅜ - 10¼
Yen	2 5/16 - 2⅛	2 9/32 - 2 7/32	2 5/16 - 2¼	2⅜ - 2 5/16	2½ - 2 7/16	2¾ - 2 11/16
Asian $Sing	1⅛ - 1	2⅛ - 2	2¾ - 2⅝	3½ - 3⅜	3⅞ - 3¾	4⅛ - 4

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.04	94.08	+0.07	94.09	94.04	15,060	48,882
Mar	93.55	93.60	+0.09	93.61	93.55	8,7250	35,291
Jun	93.12	93.19	+0.10	93.20	93.12	3,272	25,174
Sep	92.84	92.87	+0.11	92.88	92.79	1,860	20,875

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	94.01	+0.08	-	-	0	2338
Mar	-	93.64	+0.10	-	-	0	1458
Jun	-	93.22	+0.11	-	-	0	300
Sep	-	92.89	+0.10	-	-	0	52

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.66	94.69	+0.05	94.70	94.65	15657	185212
Mar	94.27	94.32	+0.06	94.33	94.27	19610	175350
Jun	93.83	93.94	+0.11	93.95	93.83	15030	105260
Sep	93.50	93.56	+0.11	93.56	93.49	5382	76240

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	90.35	90.44	+0.10	90.45	90.30	3833	33096
Mar	89.63	89.73	+0.10	89.74	89.63	1056	16769
Jun	89.04	89.17	+0.12	89.19	89.04	523	15289
Sep	88.65	88.78	+0.11	88.80	88.65	156	15418

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.67	95.69	+0.04	95.71	95.66	3279	23448
Mar	95.29	95.29	+0.04	95.32	95.27	1591	13436
Jun	94.90	94.92	+0.05	94.95	94.90	281	7298
Sep	94.60	94.62	+0.06	94.64	94.60	102	1058

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.64	93.67	+0.07	93.69	93.64	1415	7832
Mar	93.08	93.15	+0.13	93.18	93.08	1563	5377
Jun	92.53	92.61	+0.13	92.62	92.53	545	3053
Sep	92.10	92.16	+0.10	92.19	92.10	112	1142

* LIFFE futures traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 10		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.02	16.61	4.862	2.005	4946	5.444	21.14	496.5	402.7	23.19	4.027	1.979	4.223	3.137	315.7	2.543
Denmark	(DKr)	52.58	10	8.735	2.557	1.054	2600	2.863	11.11	261.1	211.8	12.20	2.118	1.041	2.221	1.649	166.0	1.337
France	(FFr)	60.20	11.45	10	2.927	1.207	2977	3.277	12.72	298.9	242.4	13.96	2.424	1.191	2.542	1.888	190.0	1.531
Germany	(DM)	20.57	3.911	3.416	1	0.412	1017	1.120	4.347	102.1	82.82	4.770	0.828	0.407	0.869	0.645	64.92	0.523
Ireland	(I£)	49.88	9.487	8.286	2.425	1	2467	2.716	10.54	247.7	200.9	11.57	2.009	0.987	2.107	1.565	157.5	1.269
Italy	(L)	2.022	0.385	0.336	0.098	0.041	100.	0.110	0.427	10.04	8.143	0.469	0.081	0.040	0.085	0.063	6.383	0.051
Netherlands	(Fl)	18.37	3.493	3.051	0.893	0.368	908.4	1	3.882	91.20	73.97	4.260	0.740	0.364	0.776	0.576	57.98	0.467
Norway	(NKr)	47.31	8.998	7.860	2.301	0.949	2340	2.576	10	234.9	190.5	10.97	1.905	0.936	1.998	1.484	149.3	1.203
Portugal	(Es)	20.14	3.830	3.346	0.979	0.404	996.0	1.096	4.257	100.	81.11	4.671	0.811	0.399	0.851	0.632	63.57	0.512
Spain	(Pta)	24.83	4.722	4.125	1.207	0.498	1228	1.352	5.248	123.3	100.	5.759	1.000	0.491	1.049	0.779	78.38	0.631
Sweden	(SKr)	43.11	8.200	7.162	2.096	0.864	2132	2.347	9.113	214.1	173.6	10	1.736	0.853	1.821	1.352	136.1	1.096
Switzerland	(SFr)	24.83	4.722	4.125	1.207	0.498	1228	1.352	5.248	123.3	100.0	5.759	1	0.491	1.049	0.779	78.38	0.631
UK	(£)	50.53	9.610	8.394	2.457	1.013	2499	2.751	10.68	250.9	203.5	11.72	2.035	1	2.134	1.585	159.5	1.285
Canada	(C$)	23.68	4.503	3.933	1.151	0.475	1171	1.289	5.005	117.6	95.36	5.492	0.954	0.469	1	0.743	74.74	0.602
US	($)	31.88	6.063	5.296	1.550	0.639	1577	1.736	6.738	158.3	128.4	7.394	1.284	0.631	1.346	1	100.6	0.811
Japan	(Y)	31.68	6.025	5.263	1.540	0.635	1567	1.725	6.696	157.3	127.6	7.348	1.276	0.627	1.338	0.994	100.	0.806
Ecu		39.32	7.479	6.532	1.912	0.788	1945	2.141	8.311	195.3	158.4	9.121	1.584	0.778	1.661	1.233	124.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.6460	0.6476	+0.0010	0.6483	0.6448	45,192	75,979
Mar	0.6468	0.6485	+0.0011	0.6490	0.6463	160	3,922
Jun	0.6490	0.6496	+0.0011	0.6496	0.6490	239	595

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.9993	1.0027	+0.0036	1.0034	0.9983	40,621	68,533
Mar	1.0068	1.0106	+0.0036	1.0110	1.0062	169	3,042
Jun	-	1.0200	+0.0036	1.0200	-	2	513

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.7822	0.7827	-0.0002	0.7831	0.7805	25,875	35,257
Mar	0.7841	0.7851	-0.0016	0.7857	0.7841	31	812
Jun	0.7874	0.7885	-0.0018	0.7885	0.7874	5	63

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	1.5846	1.5850	-0.0008	1.5850	1.5822	22,829	41,773
Mar	1.5810	1.5832	-0.0008	1.5832	1.5810	15	381
Jun	-	1.5788	-0.0008	-	1.5770	1	8

UK INTEREST RATES

LONDON MONEY RATES

Oct 10	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6¾ - 5¼	5⅝ - 5⅜	5½ - 5⅜	5 13/16 - 5 11/16	6 7/16 - 6 5/16	7 3/16 - 7 1/16
Sterling CDs	-	-	5 7/16 - 5⅜	5 13/16 - 5 11/16	6 5/16 - 6¼	7 3/16 - 7⅛
Treasury Bills	-	-	5¼ - 5 3/16	5¾ - 5 11/16	-	-
Bank Bills	-	-	5 13/16 - 5¼	5 13/16 - 5 23/32	6 5/16 - 6 3/16	-
Local authority deps.	5¼ - 5⅛	5¼ - 5⅛	5 7/16 - 5 5/16	5¾ - 5⅝	6 5/16 - 6 3/16	7 1/16 - 6 15/16
Discount Market deps	6¼ - 5¼	5⅜ - 5¼	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from September 12, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¼	3¼	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ¾pc.
Ave. tender rate of discount 5.4950pc. ECGD fixed rate Stg. Export Finance. Make up day Sep 30, 1994. Agreed rates for period Oct 26, 1994 to Nov 25, 1994, Schemes II & III 7.05pc. Reference rate for period Sep 1, 1994 to Sep 30, 1994, Schemes IV & V 5.735pc. Finance House Base Rate 6pc from Oct 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.40	93.43	+0.08	93.46	93.38	33347	158648
Mar	92.52	92.63	+0.15	92.66	92.52	29623	78224
Jun	91.87	91.97	+0.17	91.99	91.87	9855	53903
Sep	91.39	91.50	+0.17	91.52	91.39	3227	50961

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9325	0.34	0.13	0.15	0.16	0.75	1.43
9350	0.18	0.07	0.10	0.25	0.94	1.63
9375	0.08	0.04	0.07	0.40	1.16	1.85

Est. vol. total, Calls 17104 Puts 6505. Previous day's open int., Calls 308739 Puts 184251

EMS EUROPEAN CURRENCY UNIT RATES

Oct 10	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14933	+0.00098	-2.16	5.35	-
Ireland	0.808628	0.791270	-0.000168	-2.15	5.34	14
Belgium	40.2123	39.4908	+0.0189	-1.79	4.97	13
Germany	1.94964	1.91942	+0.00063	-1.55	4.70	-
France	6.53883	6.55847	+0.00057	0.30	2.77	-3
Denmark	7.43679	7.50982	+0.00779	0.98	2.08	-7
Portugal	192.854	195.943	+0.103	1.60	1.46	-11
Spain	154.250	159.004	-0.042	3.08	0.00	-22
NON ERM MEMBERS						
Greece	264.513	292.597	+0.04	10.77	-6.94	-
Italy	1793.19	1951.49	-3.04	8.83	-5.28	-
UK	0.786749	0.782028	-0.000755	-0.60	3.70	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	Calls Oct	Calls Nov	Calls Dec	Puts Oct	Puts Nov	Puts Dec
1.500	8.28	8.23	8.23	-	0.01	0.01
1.525	5.84	5.85	5.85	-	0.06	0.06
1.550	3.35	3.67	3.67	-	0.34	0.34
1.575	1.12	1.94	1.94	0.18	1.06	1.06
1.600	0.07	0.81	0.81	1.63	2.41	2.41
1.625	-	0.25	0.25	3.96	4.29	4.29

Previous day's vol., Calls 16,212 Puts 7,376 . Prev. day's open int., Calls 408,888 Puts 327,750

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.02	94.02	-0.01	94.03	93.99	240,397	474,773
Mar	93.64	93.65	-	93.66	93.61	239,257	401,103
Jun	93.21	93.23	-	93.23	93.19	131,000	303,653

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.62	94.63	-	94.63	94.60	5,129	21,838
Mar	94.19	94.21	-	94.22	94.19	987	9,250
Jun	-	93.83	-	-	-	332	2,091

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
9450	0.20	0.22	0.25	0.17	0.01	0.03	0.06	0.35
9475	0.02	0.06	0.10	0.09	0.08	0.12	0.16	0.52
9500	0	0.01	0.03	0.04	0.31	0.32	0.34	0.72

Est. vol. total, Calls 5712 Puts 2562. Previous day's open int., Calls 177122 Puts 189478

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9550	0.24	0.15	0.11	0.05	0.38	0.69
9575	0.08	0.09	0.05	0.14	0.55	0.88
9600	0.02	0.05	0.02	0.33	0.76	1.10

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1870 Puts 615

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
AIB Bank	5.75	Financial & Gen Bank	6.5	●Smith & Williamson Secs.	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	TSB	5.75
Bank of Baroda	5.75	Girobank	5.75	●United Bk of Kuwait	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	Unity Trust Bank Plc	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Western Trust	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Whiteaway Laidlaw	5.75
Bank of India	5.75	Heritable & Gen Inv Bk	5.75	Yorkshire Bank	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75		
Barclays Bank	5.75	C. Hoare & Co	5.75		
Brit Bk of Mid East	5.75	Hongkong & Shanghai	5.75		
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75		
CL Bank Nederland	5.75	●Leopold Joseph & Sons	5.75		
Citibank NA	5.75	Lloyds Bank	5.75		
Clydesdale Bank	5.75	Meghraj Bank Ltd	5.75		
The Co-operative Bank	5.75	Midland Bank	5.75		
Coutts & Co	5.75	* Mount Banking	6		
Credit Lyonnais	5.75	NatWestminster	5.75		
Cyprus Popular Bank	5.75	●Rea Brothers	5.75		

● Members of London Investment Banking Association
* In administration

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Oct 10 / Sch)

BELGIUM/LUXEMBOURG (Oct 10 / Frs.)

DENMARK (Oct 10 / Kr)

FINLAND (Oct 10 / Mks)

FRANCE (Oct 10 / Frs.)

GERMANY (Oct 10 / Dm.)

ITALY (Oct 10 / Lire)

NETHERLANDS (Oct 10 / Fls.)

NORWAY (Oct 10 / Kroner)

SPAIN (Oct 10 / Pta.)

SWEDEN (Oct 10 / Kronor)

SWITZERLAND (Oct 10 / Frs.)

PACIFIC

JAPAN (Oct 7 / Yen)

HONG KONG (Oct 10 / H.K.$)

MALAYSIA (Oct 10 / MYR)

SINGAPORE (Oct 10 / S$)

AUSTRALIA (Oct 10 / Aust$)

NORTH AMERICA

CANADA

TORONTO (Oct 7 / Can $)

Closed Oct 10

MONTREAL (Oct 7 / Can $)

Closed Oct 10

AFRICA

SOUTH AFRICA (Oct 7 / Rand)

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO – MOST ACTIVE STOCKS: Friday, October 7, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hitachi	6.0m	990	+17	Honshu Paper	4.2m	687	+25
Mitsubish Elec	5.8m	722	+17	Fujitsu	3.8m	1080	+20
Nippon Steel	5.2m	379	-2	Canon	3.7m	1800	+20
Toshiba	4.8m	746	+11	Kawasaki Steel	3.6m	434	-4
NKK	4.5m	261	-6	NEC	3.1m	1230	-20

INDICES

	Oct 10	Oct 7	Oct 6	1994 High		1994 Low	
Argentina							
General (29/12/77)	(u)	19877.76	19677.78	25470.49	16/2	17758.80	20/4
Australia							
All Ordinaries(1/1/80)	1988.0	1967.5	1967.5	2340.80	3/2	1957.40	27/6
All Mining(1/1/80)	1051.4	1043.4	1043.4	1136.10	3/2	804.80	5/5
Austria							
Credit Aktien(30/12/84)	394.43	390.56	390.56	469.66	2/2	380.21	6/10
Traded Index(2/1/91)	1062.00	1049.73	1049.73	1222.25	1/2	1011.38	6/6
Belgium							
BEL20 (1/1/91)	1351.34	1336.39	1336.39	1542.86	9/2	1336.39	7/10
Brazil							
Bovespa (29/12/83)	(u)	48767.0	48767.0	55110.00	13/9	3800.90	3/1
Canada							
Metals Mins♦(1975)	(c)	4075.88	4075.89	4250.59	19/9	3298.06	20/4
Composite♦ (1975)	(c)	4280.80	4280.80	4666.90	23/3	3859.90	24/6
PortfolioSS (4/1/83)	(c)	2052.09	3052.09	2182.89	1/2	1888.48	28/6
Chile							
IPGA Gen (31/12/80)	(u)	5257.6†	5257.6†	5257.80	7/10	3801.28	4/4
Denmark							
CopenhagenSE(3/1/83)	341.50	339.11	339.11	415.79	2/2	339.11	7/10
Finland							
HEX General(28/12/90)	1839.1	1831.6	1831.6	1972.80	4/2	1601.10	3/1
France							
SBF 250 (31/12/90)	1267.51	1245.61	1245.61	1585.20	2/2	1238.88	5/10
CAC 40(31/12/87)	1898.32	1856.38	1856.38	2355.93	2/2	1833.72	6/10
Germany							
FAZ Aktien(31/12/58)	763.37	742.56	742.56	859.27	18/5	742.04	5/10
Commerzbank(1/12/53)	2175.9	2118.80	2118.80	2465.80	2/5	2118.30	5/10
DAX (30/12/87)§	2034.79	1960.59	1960.59	2271.11	18/5	1960.59	7/10
Greece							
Athens SE(31/12/80)	862.07	874.03	874.03	1194.98	18/1	808.67	25/5
Hong Kong							
Hang Seng(31/7/64)	9248.40	9284.88	9284.88	12201.09	4/1	8369.44	4/5
India							
BSE Sens.(1979)	4410.85	4426.56	4426.56	4871.89	27/9	3454.00	5/1
Indonesia							
Jakarta Comp.(10/8/82)	511.86	515.05	515.05	612.89	5/1	449.72	12/7
Ireland							
ISEQ Overall(4/1/88)	1821.83	1799.89	1799.89	2082.16	20/1	1694.14	1/7
Italy							
Banca Comm Ital (1972)	640.06	629.9	629.9	817.17	10/5	586.86	10/1
MIB General (4/1/94)	1037.0	1020.0	1020.0	1318.00	10/5	944.00	10/1
Japan							
Nikkei 225 (16/5/49)	(c)	19744.75	19744.75	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	(c)	289.11	289.11	311.71	13/6	288.22	4/1
Topix (4/1/68)	(c)	1578.05	1578.05	1712.73	13/6	1440.97	4/1
2nd Section (4/1/68)	(c)	2219.74	2219.74	2542.86	8/7	1873.33	4/1
Malaysia							
KLSE Comp (4/4/86)	1110.12	1122.33	1122.33	1314.46	5/1	928.33	4/4
Mexico							
IPC (Nov 1978)	(u)	2649.79	2649.79	2881.17	8/2	1957.33	20/4
Netherlands							
CBS TtlRtnGen(End 83)	427.9	421.9	421.9	454.80	31/1	408.30	21/6
CBS All Shr (End 83)	268.8	265.0	265.0	294.80	31/1	257.80	21/6
New Zealand							
Cap. 40 (1/7/86)	1992.93	1988.05	1988.05	2439.64	3/2	1946.51	11/7
Norway							
Oslo SE(Ind)(2/1/83)	1041.90	1031.38	1031.38	1211.10	28/2	980.91	21/6
Philippines							
Manila Comp (2/1/85)	2972.11	2987.16	2987.16	3308.37	4/1	2507.33	9/3
Portugal							
BTA (1977)	2867.7	2876.7	2876.7	3228.80	18/2	2612.80	20/6
Singapore							
SES All-S'pore(2/4/75)	585.34	574.74	574.74	641.61	4/1	523.29	4/4
South Africa							
JSE Gold (28/9/78)	(c)	2358.0♥	2358.0♥	2534.00	7/9	1749.08	14/2
JSE Indl. (28/9/78)	(c)	6261.0♥	6261.0♥	6757.00	15/6	5446.00	19/1
South Korea							
KoreaCmpEx(4/1/80)**	1088.6	1085.84	1085.84	1089.93	6/10	855.37	2/4
Spain							
Madrid SE (30/12/85)	294.82	291.46	291.46	368.31	31/1	290.07	5/10
Sweden							
AffarsvarldnGen (1/2/37)	1392.20	1375.30	1375.30	1603.98	31/1	1334.70	8/7
Switzerland							
Swiss Bk Ind (31/12/58)	1190.07	1174.81	1174.81	1423.34	31/1	1157.97	13/7
SBC General (1/4/87)	910.76	892.39	892.39	1093.29	31/1	888.07	5/10
Taiwan							
WeightedPr.(30/6/66)**	(c)	6620.36	6620.36	7191.13	30/9	5194.83	19/3
Thailand							
Bangkok SET (30/4/75)	1428.12	1459.78	1459.78	1753.73	4/1	1196.59	4/4
Turkey							
Istanbul Cmp.(Jan 1986)	25920.94	27228.8	27228.8	28869.66	13/1	12960.70	24/3
WORLD							
MS Capital Int (1/1/70)§	618.9*	617.0	615.7*	644.00	2/8	591.90	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1317.39	1287.99	1287.99	1540.19	31/1	1288.48	5/10
Euro Top-100 (26/6/90)	1164.95	1143.42†	1143.42†	1311.81	2/2	1136.48	5/10
JCapolDrgns (31/12/88)	(u)	330.11	330.11	395.19	5/1	290.28	21/3
Barings Emerg.(7/1/92)	(u)	183.77	183.77	191.79	28/9	141.66	21/4

** Sat Oct 8 : Taiwan Weighted Price 6214.48, Korea Comp Ex 1081.98. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500, Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7, JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. § IBIS/DAX after-hours index: Oct 10 - 2048.56 +70.80

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett.Price	Change	High	Low	Est. vol.	Open int.
Oct	1877.0	1907.0	+40.0	1910.0	1875.0	18,423	28,838
Nov	1900.0	1915.0	+40.0	1910.0	1886.0	98	686
Dec	1895.0	1924.5	+40.5	1926.0	1891.5	522	26,478

Open interest figures for previous day.

US INDICES

Dow Jones	Oct 7	Oct 6	Oct 5	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3787.43	3775.56	3787.34	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	95.81	96.17	96.42	105.61 (21/1)	95.91 (7/10)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1444.78	1438.50	1443.62	1862.29 (2/2)	1438.50 (6/10)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	178.42	177.83	177.96	227.86 (3/1)	175.85 (20/9)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3826.03 (3810.89) Low 3754.37 (3752.01) (Theoretical♦)
Day's high 3802.61 (3794.74) Low 3769.17 (3768.16) (Actual♦)

Standard and Poors	Oct 7	Oct 6	Oct 5	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	455.10	452.36	453.52	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	539.55	536.39	538.18	580.03 (15/9)	510.05 (21/4)	580.03 (15/9/94)	3.62 (21/6/32)
Financial	42.33	42.05	42.01	48.94 (14/6)	41.39 (4/4)	48.49 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	251.33	249.93	250.36	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	455.12	453.60	451.11	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	749.96	744.19	746.28	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Oct 7	Sep 30	Sep 23	Year ago
Dow Jones Ind. Div. Yield	2.79	2.76	2.76	2.84
	Oct 5	Sep 28	Sep 21	Year ago
S & P Ind. Div. yield	2.43	2.39	2.41	2.51
S & P Ind. P/E ratio	20.33	20.78	20.64	27.52

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	456.35	457.95	+1.30	458.10	456.20	86,779	218,572
Mar	460.05	461.05	+1.45	461.20	460.05	975	8,255
Jun	-	464.80	-	465.00	-	4	2,570

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
IBM	4,493,900	71¼	+2½
Chiligener	3,886,500	28⅛	+¾
Gen Motors	2,892,200	44	—
Compaq	2,898,600	32⅝	+¾
Telefonos	2,695,600	60⅝	+⅜
SW Airline	2,471,200	21⅞	—
Wal-Mart	2,455,300	22⅝	+¼
Amer T & T	2,422,200	52	+⅛
Santa Fe	2,325,000	14⅝	+⅜
K Mart	2,314,200	16⅝	-⅛

■ TRADING ACTIVITY

● Volume (million)

	Oct 7	Oct 6	Oct 5
New York SE	278.562	289.892	359.637
Amex	14.005	17.803	18.870
NASDAQ	249.926	247.930	323.021
NYSE			
Issues Traded	2,832	2,825	2,864
Rises	1,208	988	538
Falls	934	1,113	1755
Unchanged	690	724	571
New Highs	26	19	9
New Lows	184	141	254

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

1:15 pm October 10

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17⅜	12¼	AAR	0.48	3.7	21	16	12⅞	12¾	12⅞	+⅛
17¼	12⅝	A L Labs A	0.18	1.1	37	31	16⅜	16⅛	16⅛	
78¼	57⅝	AMP	1.68	2.2	26	914	76¼	75½	76	+⅝
72¾	48⅛	AMR			87	1608	50	49⅛	49⅝	+⅝
5	3⅜	ARX			12	27	3⅜	3¼	3¼	-⅛
56⅛	36⅝	ASA	2.00	3.9	34	190	51⅝	51¼	51⅜	+⅛
31⅞	25⅜	AbbotL x	0.76	2.5	18	4091	31⅛	30⅞	31	
15¾	11⅜	Abitibi Pr	0.50	3.5	10	4	14¼	14⅛	14¼	
23⅝	17¼	ABM Ind x	0.52	2.6		39	20⅛	19⅞	19⅞	-¼
16	11⅛	Acclaim			29	60	u16	15¾	15⅞	
31	22⅜	ACE Ltd x	0.44	1.7	31	572	25⅜	25¼	25¼	+¼
12½	9⅝	ACM Gvt In x	1.09	11.4		144	9¾	d9⅝	9⅝	
10⅛	7	ACM GvOpp x	0.80	11.2		30	7¼	d7	7⅛	+⅛
10⅝	7	ACM Gvt Sp x	0.96	13.7		165	7⅛	d7	7	-⅛
12	8⅜	ACM Gvt Se x	1.09	13.1		119	8½	d8⅜	8⅜	
11¾	8⅛	ACM Man x	1.08	13.5		151	8⅛	d8	8	-⅛
9¼	8	ACM Managd x	0.72	8.7		z100	8¼	8¼	8¼	
15½	8¾	AcmeCle	0.44	3.3	16	20	13¼	13	13¼	+⅛
9⅞	6½	Acme Elect			7	9	8⅞	8⅞	8⅞	-⅛
28¾	23	Acordia	0.60	2.2	13	2700	27½	27½	27½	+⅛
13¾	5¼	Actava	0.36	3.6	2	48	10⅛	10	10⅛	
17	11¼	Acuson			125	503	16½	16⅜	16⅜	-¼
18⅞	16½	Adams Expr	0.48	2.8	0	21	17	16⅞	16⅞	
64	46½	Ad Micro	3.00	5.6		174	53¾	53¼	53½	+½
31¾	16¾	AdvMic	3.00	11.9	10	6512	25⅛	24⅝	25⅛	+½
6⅞	5	Advest Grp	0.16	3.1	8	24	5⅛	d5	5⅛	+⅛
20	15	Advo Inc x	0.10	0.6	115	13	17½	17⅜	17⅜	+⅛
59½	49⅜	Aegon ADR	1.47	2.5	13	16	59⅜	59	59¼	+¼
65¾	44⅝	AetnaL	2.76	5.8	7	1158	47¾	47⅛	47⅝	+⅝
36⅛	25¼	Aflac	0.48	1.4	13	270	32	31⅞	32	+⅛
22¾	16⅜	Ahmson	0.88	4.4	14	377	20	19¾	20	
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4 pm close October 10

NYSE COMPOSITE PRICES

Continued from previous page

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
45	37¾	StPaul x	1.50	3.5	4	1144	42¾	42⅛	42¾	+⅜
9⅜	5	Salant Cp			6	3	5½	5½	5½	-⅛
49⅞	31⅞	SallieMae	1.40	4.3	8	1498	32⅞	32	32¼	+⅜
13⅞	11⅞	Salomon Br	0.32	2.6		307	12⅛	12⅛	12⅜	+⅛
52¾	37⅝	Salomn	0.64	1.7	5	478	38	38⅝	38⅝	+⅛
25	17½	SnDgGE	1.52	7.9	10	666	19⅜	19	19¼	+⅛
10	7½	SantaFeERs	0.16	1.8	9	855	9⅛	8⅞	8⅞	
17⅞	13½	SFeGd				6605	15¾	15½	15½	-¼
40	31½	SantaFePac	2.80	8.3	16	29	33¾	33⅜	33¾	+⅛
20¼	12⅛	SanFeP	0.10	0.7	8	3005	14½	14¼	14½	+⅛
26	19⅝	SaraLee	0.64	2.9	15	3140	22⅝	22⅜	22⅝	-⅛
50⅛	42⅛	Scana Corp	2.82	6.4	11	63	44⅛	43⅝	44⅛	+½
20½	12½	Scecrp x	1.00	7.5	8	4004	13⅜	13	13¼	+⅛
42	31¾	ScheranRP			32	433	u42⅞	42	42¾	+1
72½	54½	SchrPl	2.04	2.9	18	2118	71	70½	70⅝	
63	50¾	Schlmb	1.20	2.1	23	2502	58⅝	58⅛	58¼	
33⅞	23¾	Schwab(C)	0.28	0.8	14	3126	29⅞	29	29⅞	+¾
10¾	6¼	Schwitzer			23	446	8¼	8	8¼	-⅛
22⅝	12¼	SciAtl	0.06	0.3	41	1387	20½	19¾	20½	+¾
16⅞	13	Scotsman x	0.10	0.6	14	9	15⅝	15⅝	15⅝	+⅛
65⅛	37¼	ScottP	0.80	1.2	17	12441	65¼	63½	64¾	+3¼
26⅝	18⅝	ScuddrNAsF	0.21	0.9		149	23¾	23½	23½	-⅛
12⅝	9⅛	ScuddrNEnF	0.16	1.7		1057	9¾	9½	9⅝	+¼
18¼	13½	SeaCnB	0.70	4.4	7	30	15¾	15¾	15¾	
16½	14⅞	SeaC1.4625	1.46	9.2		2100	15⅞	15⅞	15⅞	
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NASDAQ NATIONAL MARKET

4 pm close October 10

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AMEX COMPOSITE PRICES

4 pm close October 10

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FINANCIAL TIMES Tuesday October 11 1994

AMERICA

Interest turns to outlook for earnings

Wall Street

US stocks improved yesterday morning as investors shifted their attention from interest rates to corporate earnings, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 15.47 higher at 3,812.90, while the more broadly based Standard & Poor's 500 was 2.94 ahead at 458.04.

The Nasdaq composite was 5.73 better at 755.69 and the American SE composite up 0.86 at 455.98.

The Toronto and Johannesburg markets were closed yesterday for public holidays.

On the NYSE, advancing issues led declines by a two-to-one margin. Volume was light, with some investors observing the Columbus Day holiday. Only 120m shares were traded by early afternoon.

Unease over an imminent tightening of monetary policy had eased a little after Friday's employment data, which suggested that the economy was not growing as fast as had been feared by many analysts.

Yesterday the market began to focus more intently on the third-quarter reporting season, which was about to get under way in earnest.

Anticipation of strong results pushed many stocks higher, especially those on the cyclical side. General Motors led the motor vehicle group, climbing $1¼ to $45⅛. Chrysler gained $1¼ to $45⅞ and Ford added $¾ to $28.

Computer-related issues were among the most active. Micron Technology jumped $2 to $35¼ after Goldman Sachs added the stock to its "buy" list. Compaq Computer was up $1⅞ to $33⅞, and Digital Equipment added $1⅛ to $27⅞.

Apple led the Nasdaq's most active list, climbing $1⅞ to $38⅞ in volume of 3.3m shares by early afternoon. The stock was helped by a report that the company was close to agreeing a common computer standard with IBM, up $¼ at $71½.

Paper stocks were also strong: Scott Paper was marked up $2⅛ to $63⅞ on its decision to sell its SD Warren business to an international investment group for $1.6bn. Elsewhere, International Paper forged $1⅝ ahead to $77 while Georgia Pacific was $1¾ higher at $75⅛.

Sprint, the long-distance telephone company, appreciated $⅝ to $38⅛ after breaking off talks with two regional telecoms on merging their cellular businesses. Instead, it announced plans to join Tele-Communications and four other cable companies in a national wireless service.

On the Nasdaq, Tele-Communications was marked up $1⅛ to $22¼. Comcast, one of its partners, added $1¼ to $16⅛. Both stocks were helped by favourable comments by CRI Media Partners.

Mexico

Equities were dragged down at the opening by a fall in the ADR's of Televisa, the media group, following an earnings downgrade by Goldman Sachs, the US investment bank.

The IPC index dipped 24.28 to 625.51 in early trading, although turnover was light at 39m pesos in volume of 1.2m shares.

In the domestic market Televisa was down 12 per cent at 82.5 pesos.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	-2.83	-9.41	-2.23	-13.30	-9.35	-2.54
Belgium	-2.28	-7.86	-2.67	-12.65	-7.34	-0.39
Denmark	-3.73	-5.76	-4.56	-12.58	-8.38	-1.49
Finland	-3.81	-7.71	+24.41	+17.56	+33.71	+43.74
France	-1.59	-5.40	-11.15	-17.05	-13.50	-7.01
Germany	-2.70	-10.19	-3.66	-14.48	-10.36	-3.63
Ireland	-2.63	-7.88	+7.65	-2.60	+1.12	+8.71
Italy	-6.84	-2.29	+4.03	+3.82	+5.38	+13.30
Netherlands	-1.55	-4.48	+3.70	-7.31	-2.94	+4.34
Norway	-1.55	-5.99	+2.86	-3.30	+0.99	+8.58
Spain	-1.90	-3.52	-3.94	-12.09	-8.43	-1.56
Sweden	-2.92	-5.19	+2.45	-1.61	+4.26	+12.09
Switzerland	-1.16	-4.55	+1.01	-13.48	-6.46	+0.57
UK	-0.94	-4.98	-3.00	-12.03	-12.03	-5.43
EUROPE	-1.92	-5.66	-2.67	-11.57	-8.81	-1.96
Australia	-2.77	-4.68	-1.92	-8.85	-7.78	-0.86
Hong Kong	-2.79	-8.45	+19.23	-22.09	-27.53	-22.09
Japan	+0.31	+0.06	-3.22	+9.10	+13.00	+21.48
Malaysia	-1.00	-4.55	+29.35	-10.86	-12.90	-6.36
New Zealand	-3.49	-7.17	+1.91	-4.65	-4.09	+3.12
Singapore	+1.14	+4.45	+16.76	-4.16	-3.15	+4.12
Canada	-0.83	-0.51	+11.04	+2.34	-6.47	+0.55
USA	-1.64	-2.70	-0.97	-2.15	-8.98	-2.15
Mexico	-2.76	-4.35	+43.06	+0.88	-14.72	-8.32
South Africa	-1.49	-6.29	+50.23	+14.38	+9.32	+17.53
WORLD INDEX	-1.15	-2.83	-0.59	-2.29	-3.52	+3.72

† Based on October 7th 1994.

Attention will remain focused on US economic data this week, as it was last, while the build-up of tension in the Gulf will also inevitably have a bearing on the movement of the world's equity markets over the next few days.

Investors are waiting for US inflation data, due out by the end of the week which, depending on the figures, could provoke the Federal Reserve finally into making its sixth increase in interest rates so far this year. Some analysts suggest that the financial markets have already factored a further rates rise into share prices, and forecast that bourses could move ahead on the announcement.

European investors will also be looking for signals from the German Bundesbank when it meets on Thursday, although there is probably only a slim chance that rates will be cut here: while the continuing political crisis in Italy - last week's worst performer by a long way among the world index constituents – will again cast its shadow over that market's performance.

EUROPE

Frankfurt rockets up on short covering

Over the weekend, two opinion polls predicted a hung parliament following this week's German general elections, and one pointed towards an outright victory for the chancellor, Mr Helmut Kohl, *writes Our Markets Staff.*

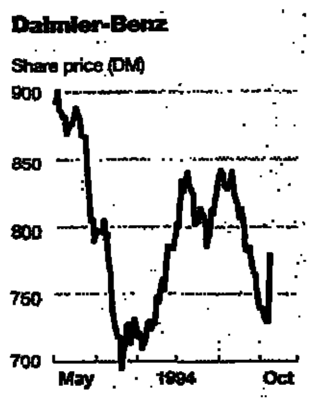
The addition of this ingredient to short covering in Frankfurt, the absence of the US bond market on a day's holiday and a comfortable start for the Dow made for phenomenal results in German equities yesterday, and other bourses came along for the ride.

FRANKFURT saw its bond market stabilise, and appreciate, and the gain in bund futures transmitted to equities after last week's gloom which saw some pessimists talking about 1,850 for the Dax index while selling equities and Dax futures short.

Short covering was the order of the day. Dealers said that they saw little true investment business as the Dax rose 64.20, or 3.3 per cent on the session, to 2,024.79 and put in another kick to close the post-bourse 70.89, or 3.6 per cent higher at an Ibis-indicated 2,048.56.

Turnover rose from DM6.6bn to DM7.6bn. Big winners included stocks hurt in the market's recent bout of weakness, including Daimler, up DM41.40, or 5.6 per cent at DM778.90;in the post-disaster stock category, Metallgesellschaft rose DM15.90, or 11.4 per cent, to DM154.90.

Other big winners included Bayernhypo in banks, Thyssen in steels and Volkswagen in carmakers, all up between 5 and 6 per cent; but there was little respite for the phamaceuticals group Schering, up only DM3 at DM898 ahead of yesterday's data from the competing Biogen in San Francisco.



Source: FT Graphite

PARIS built on Friday's gains and, towards the end of the day, the CAC-40 index momentarily breached the 1,900 level for the first time since the end of September. However, the breakthrough was short-lived and the index ended the day at 1,898.32, up 41.94 points or 2.3 per cent.

Following the decline to a new 1994 low during last week some analysts believed that the market was due for a rebound and forecast that the CAC-40 could well attain the 1,950-2,000 level by the end of the year.

Bouygues went against the trend, losing FFr14 to FFr550, on reports that company officials had been interviewed recently in connection with a judicial investigation into financial irregularities.

There was better news for Danone, up FFr8 at FFr704, as it confirmed that it was looking at the possibility of buying the Colman's division from Reckitt and Colman of the UK.

The "Euro stocks" went separate ways: EuroDisney weakened 25 centimes to FFr7.50 in spite of denying a report that attendance figures had fallen, while Eurotunnel improved 55 centimes to FFr21.95 as the company said that freight traffic was on target.

ZURICH finished 2.3 per cent higher in a strong technical rebound, and the SMI index rose 56.5 to 2,553.4.

Shares in UBS, under pressure last week as Mr Martin Ebner's BK Vision sought to increase its influence, bounced back. The bearers picked up SFr31 to SFr1,225, with UBS said to be a buyer of its own stock, while the registered added SFr6 to SFr296. CS Holding rose SFr21 to SFr530.

Swiss Re gave up SFr10 to SFr689 with investors said to be still swapping to the other insurers. Zurich Insurance rose SFr30 to SFr1,185.

Nestlé rose SFr40 to SFr1,206 and Brown Boveri, which announced a Russian joint venture, was SFr18 ahead at SFr1,067.

Among the pharmaceuticals, Ciba added SFr12 to SFr729 as investors awaiting third quarter sales figures tomorrow and Roche certificates, which reports its own third quarter sales details next Monday, rose SFr165 to SFr5,785.

MILAN saw a technical rebound as some shares began to look relatively cheap after last week's cumulative 7.3 per cent losses and on short covering ahead of trading deadlines for the October account. The Comit index picked up 10.16 or 1.6 er cent to 640.06.

Politics remained the driving force, but attention switched from the damaging row between the government and investigating magistrates to proposals aimed at distancing the prime minister, Mr Silvio Berlusconi, from his $7bn a year Fininvest media empire.

Mr John Stewart at InterEuropa in Milan commented: "The prospect of an immediate political crisis looks to have been averted but the situation remains extremely unstable."

Industrials led the market higher. Fiat was L110 higher at L6,360, Olivetti rose L30 to L1,900 and Pirelli was up L45 at L2,270.

Financials followed the trend. BCI was L50 higher at L3,600 and Credito Italiano rose L40 to L1,940. Generali was L700 ahead at L38,700, but Ras gave up L350 to L20,350, still depressed by talk of a capital increase to finance its purchase of the Swiss Eliva insurance group.

Benetton bounced L1,170 or 6.3 per cent higher to L19,670, paring some of last week's sharp losses.

AMSTERDAM moved forward as equities were encouraged by strength in the bond market. The AEX index rose 5.84 or 1.5 per cent to 398.71.

Philips, up 80 cents at Fl 53.20, was bought on news that it had signed a co-operation agreement with IBM of the US for the production of semiconductors at the latter's German factory.

Reports of changes in the Dutch broadcasting system initially affected the performance of VNU, the publishing house, which has a substantial stake in two commercial channels. VNU fell to Fl 171.20, rallied to a session high of Fl 175.30 before closing at Fl 174.00.

Written and edited by William Cochrane, John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

Oct 10	THE EUROPEAN SERIES							
Hourly changes	Open	11.00	11.30	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1307.01	1308.30	1309.75	1311.83	1312.72	1313.82	1314.46	1317.39
FT-SE Eurotrack 200	1384.08	1386.30	1388.15	1387.57	1387.78	1389.04	1368.05	1370.44

	Oct 7	Oct 6	Oct 5	Oct 4	Oct 3
FT-SE Eurotrack 100	1287.99	1290.84	1286.48	1312.97	1309.82
FT-SE Eurotrack 200	1344.02	1345.42	1335.96	1360.61	1357.86

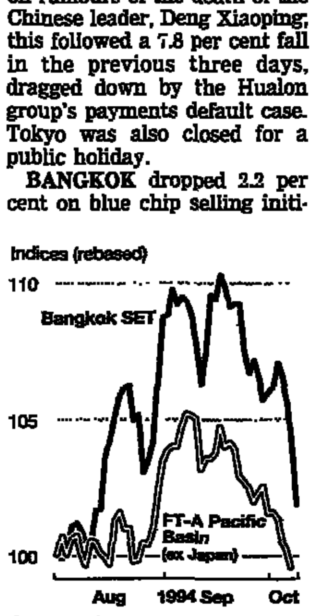
Base 1000 (26/10/90); High/day: 100 - 1317.44; 200 - 1371.88 Low/day: 100 - 1306.80 200 - 1363.88 † Partial

ASIA PACIFIC

Gulf tensions take toll on regional markets

The region had mixed feelings about the latest threat in the Middle East. Taiwan, meanwhile, was closed for the national day holiday after a fall of 6.1 per cent on Saturday on rumours of the death of the Chinese leader, Deng Xiaoping; this followed a 7.8 per cent fall in the previous three days, dragged down by the Hualon group's payments default case. Tokyo was also closed for a public holiday.

BANGKOK dropped 2.2 per cent on blue chip selling initiated partly by fears of renewed tensions in the Gulf. The SET index closed 31.66 lower at 1,428.12 in turnover of Bt7.38bn.



Source: FT Graphite

The finance sector was the biggest loser and the most active, falling 3.25 per cent in turnover of Bt1.2bn. Siam City Bank topped the active list, shedding Bt0.75 to Bt29.50.

KUALA LUMPUR was under pressure early in the day following the news that Iraq was massing troops near its border with Kuwait, although prices subsequently recovered from their lows on late bargain-hunting.

The composite index ended 12.21 or 1.1 per cent lower at 1,110.12 after a low of 1097.34, with the bearish sentiment also aggravated by apparent political tension in Malaysia when an Umno youth leader clashed with the prime minister, Mr Mahathir Mohamad, over the ousting of a scandal-hit party official.

Among gainers, Berjaya South picked up M$4 or 15.1 per cent to M$30.50 on news that it was buying into Malaysia's privatised sewerage consortium.

SYDNEY combined positive exploration news from a number of oil companies with speculation on an oil price rise due to the Iraq-Kuwait confrontation. The oil and gas index closed 29.5, or 3.2 per cent higher at 940.3, helping the All Ordinaries index to a gain of 20.5, or 1 per cent at 1,988.0.

SINGAPORE was lower with the mood bruised by tensions on the Iraq-Kuwait border. Heavy profit-taking in Malaysian stocks traded over the counter also weakened sentiment.

The Straits Times Industrials index fell 27.81 to 2,302.28, just managing to hold above the psychological 2,300 level.

SHANGHAI's A share index closed 5.5 per cent lower as last week's rumour laden trading, concerning the health of China's leader Deng Xiaoping, continued to overshadow the market. The index finished down 42.00 at 715.86 in increased turnover of Yn5.0bn.

Large capitalised issues led the day's fall. Shanghai Petrochemical lost Yn0.15 or 6.8 per cent, to Yn2.06 in heavy volume of 21.9m shares. Maanshan Iron and Steel gave up Yn0.14 or 6.5 per cent, to Yn2.03 in volume of 10.0m shares.

In Shenzhen, the A share index fell 10.09 or 5.8 per cent to 162.99 and the B index edged down 0.40 to 116.05.

HK stocks close off lows in thin, bearish trade.

HONG KONG closed off its lows after a day spent languishing around the lower support level of 9,200 in thin turnover and weak sentiment with foreign funds liquidating south east Asian holdings.

The Hang Seng index closed 36.48 down at 9,248.40 in turnover of HK$2.2bn compared with HK$2.9bn on Friday.

The H-share index of Chinese stocks listed in Hong Kong fell 30.98 or 2.4 per cent to 1,284.69 in response to the latest fall in the Shanghai A index.

BOMBAY was lower on weak buying support in thin volume. The BSE 30 share index dipped 15.61 to 4,410.95.

Brokers said that they expected trading to remain low in the next few days ahead of a Hindu festive season.

SEOUL closed higher in moderate trading, in spite of consolidation by primary blue chips as a rally persisted among banks, financial companies and low and medium-priced shares. The composite index closed 6.72 higher at 1,068.68.

Trading volume totalled 46.89m shares compared with 68.83m on Friday.

WELLINGTON ended a four-day losing streak which saw the NZSE-40 index lose 3.8 per cent, but only barely with a rise of just 4.89 to 1,992.93. Equities were supported by a firm bond market, although the New Zealand finance minister said yesterday that higher rates were inevitable.

MANILA's composite index closed 25.05 lower at 2,972.108 in turnover of 1.584 bn pesos, also reflecting the Iraqi troop movements.

JAKARTA watched the Gulf, and took profits after last week's sharp rebound, the official index ending 3.18 off at 511.86 in thin volume.

Message for Arab bourses

Markets in the eastern Mediterranean sent a cautionary message to their Arab neighbours yesterday with Turkish equities down 4 per cent, Israeli blue chips by another 1.3 per cent for a two-day, 3.2 per cent fall, and Greek stocks by 1.4 per cent although Athens was moved by domestic concerns.

Istanbul's composite index, down 1,090.25 at 26,136.56, plunged on worries over the survival prospects of the coalition government led by the prime minister, Mrs Tansu Çiller, as well as on an escalation of tensions in the Gulf.

Brokers quoted recent reports that the coalition partners – Mrs Çiller's conservative True Path Party (DYP) and the Social Democrat Populist Party (SHP) – had fallen out over draft laws to accelerate privatisation and improve democratic rights.

Mrs Çiller, hoping that sell-offs would rescue the ailing Turkish economy, had made the privatisation law her top priority.

As a Nato member, Turkey supported the US-led western forces against its neighbour, Iraq, during the Gulf war in 1991. Istanbul share prices fell sharply in the days following the Iraqi invasion of Kuwait on August 2, 1990.

In Tel Aviv, market sources said that banks had called in credit extended to the public for investment in securities. The Mishtanim index fell another 2.34 to 180.24 and turnover rose from a slim Shk137m to moderate, at Shk168m.

The market closed off its session lows as investment funds led a small late rally and traders said that demand for call options at that time indicated that speculators expect a technical rally today.

Athens was more worried that a sharp rise in September inflation, to 11.9 per cent, would inhibit a fall in interest rates. The general share index ended 11.96 down from Friday's close at 862.07 03 after opening slightly up at 875.04.

Turnover was Dr3.1bn. Brokers said that there was intense pressure on the market.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY OCTOBER 7 1994								THURSDAY OCTOBER 6 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	165.44	-0.6	154.21	104.81	132.55	149.04	-0.4	3.72	166.40	155.35	104.92	133.61	149.56	189.15	149.36	149.87
Austria (16)	180.28	0.0	168.04	114.21	144.44	144.39	-0.2	1.11	180.34	168.37	113.71	144.80	144.75	198.89	167.46	175.07
Belgium (37)	162.02	0.2	151.02	102.65	129.81	126.66	-0.1	4.35	161.66	150.92	101.93	129.80	126.73	177.04	149.33	149.92
Canada (103)	136.54	0.6	127.27	86.50	109.39	133.23	0.5	2.52	135.75	126.73	85.59	108.99	132.53	145.31	120.54	124.25
Denmark (33)	243.51	0.0	226.97	154.27	195.10	199.72	-0.3	1.46	243.49	227.31	153.53	195.50	200.24	275.79	230.27	233.92
Finland (24)	177.09	-1.6	165.07	112.19	141.88	178.02	-2.3	0.80	179.96	168.01	113.47	144.49	180.22	182.38	116.71	116.71
France (101)	163.63	0.7	152.52	103.67	131.10	135.19	0.5	3.20	162.45	151.66	102.43	130.44	134.51	185.37	159.34	170.77
Germany (58)	135.15	0.1	125.98	85.62	108.28	108.28	-0.1	1.90	134.99	126.03	85.12	108.39	108.39	150.40	128.37	133.20
Hong Kong (56)	381.20	0.0	355.32	241.50	305.42	378.20	0.0	3.22	381.22	355.90	240.37	306.09	378.21	508.58	317.38	319.84
Ireland (14)	201.35	0.3	187.68	127.56	161.33	180.38	-0.1	3.55	200.81	187.48	126.62	161.24	180.47	216.60	171.40	172.85
Italy (59)	77.71	-2.4	72.43	49.23	62.26	91.04	-2.2	1.70	79.59	74.30	50.18	63.91	93.05	97.78	57.88	73.15
Japan (468)	158.08	-0.3	147.35	100.15	126.66	100.15	0.1	0.77	158.61	148.08	100.01	127.35	100.01	170.10	124.54	155.76
Malaysia (97)	553.91	-2.3	516.30	350.92	443.80	547.08	-2.2	1.54	567.20	529.53	357.64	455.43	559.60	621.63	430.71	432.16
Mexico (18)	2189.12	-0.1	2040.47	1386.88	1753.91	8179.68	-0.1	1.25	2192.30	2046.68	1382.31	1760.22	8186.76	2647.06	1674.01	1680.72
Netherland (19)	207.76	0.9	193.66	131.62	166.46	163.59	0.7	3.53	205.92	192.25	129.84	165.34	162.51	218.19	187.01	189.56
New Zealand (14)	70.03	-0.6	65.27	44.36	56.11	61.46	-0.6	3.96	70.42	65.74	44.40	56.54	61.84	77.59	58.22	62.43
Norway (23)	195.05	-0.8	181.80	123.57	156.27	177.33	-1.2	1.86	196.62	183.56	123.97	157.87	179.50	211.74	165.52	179.02
Singapore (44)	382.68	-0.5	356.70	242.44	306.61	261.17	-0.4	1.61	384.43	358.90	242.40	308.67	262.21	393.12	294.66	309.55
South Africa (59)	313.97	0.4	292.65	198.91	251.56	286.50	0.2	2.24	312.71	291.94	197.17	251.08	288.04	314.24	202.72	212.92
Spain (39)	137.18	0.8	127.87	86.91	109.91	132.64	0.5	4.18	136.03	127.00	85.77	109.22	131.96	155.79	128.88	138.14
Sweden (36)	220.11	-0.1	205.16	139.45	176.35	238.41	-0.6	1.68	220.39	205.76	138.97	176.96	239.87	231.35	175.83	194.61
Switzerland (47)	161.06	0.6	150.12	102.04	129.04	127.56	0.3	1.80	160.16	149.53	100.99	128.60	127.16	176.56	142.90	142.90
United Kingdom (204)	193.92	0.6	180.76	122.86	155.37	180.76	0.4	4.21	192.80	180.00	121.57	154.81	180.00	214.96	181.11	191.36
USA (515)	185.83	0.6	173.21	117.73	148.88	185.83	0.6	2.92	184.74	172.47	116.49	148.33	184.74	196.04	178.95	187.64
EUROPE (709)	166.25	0.3	154.96	105.32	133.20	145.96	0.1	3.16	165.71	154.70	104.48	133.05	145.78	178.58	154.79	160.77
Nordic (116)	213.93	-0.4	199.40	135.53	171.40	198.42	-0.9	1.49	214.80	200.54	135.44	172.47	200.18	222.18	173.18	184.74
Pacific Basin (747)	167.41	-0.4	156.05	106.06	134.13	110.72	0.0	1.09	168.09	156.92	105.99	134.96	110.70	176.86	134.79	161.36
Euro-Pacific (1456)	166.80	-0.1	155.47	105.67	133.64	125.02	0.1	1.87	166.96	155.87	106.27	134.05	124.95	175.14	143.88	161.01
North America (618)	182.76	0.6	170.35	115.78	146.43	182.17	0.6	2.80	181.66	169.63	114.56	145.88	181.12	192.73	175.67	183.72
Europe Ex. UK (505)	147.92	0.2	137.87	93.71	118.51	125.63	-0.1	2.56	147.67	137.86	93.11	118.56	125.69	158.12	135.94	141.21
Pacific Ex. Japan (279)	258.01	-0.8	240.49	163.46	206.72	229.72	-0.7	2.83	259.96	242.70	163.92	208.73	231.25	296.21	216.16	216.16
World Ex. US (1636)	168.77	-0.1	157.31	106.92	135.22	128.78	0.1	1.98	168.89	157.67	106.49	135.60	128.69	176.65	145.58	161.24
World Ex. UK (1947)	171.43	0.1	159.79	108.61	137.35	142.94	0.2	2.11	171.23	159.88	107.97	137.49	142.61	178.59	155.96	166.87
World Ex. So. Af. (2092)	172.52	0.2	160.80	109.30	138.22	145.37	0.2	2.31	172.25	160.81	108.61	138.30	145.01	180.03	158.54	168.84
World Ex. Japan (1683)	183.61	0.4	171.14	116.32	147.11	173.34	0.3	2.96	182.93	170.78	115.34	146.88	172.82	195.20	176.34	178.05
The World Index (2151)	173.42	0.2	161.65	109.87	138.94	146.42	0.2	2.31	173.14	161.64	109.17	139.02	146.05	180.80	156.85	169.03

Latest prices were unavailable for this edition.